CARBON STEEL WIRE ROD FROM VENEZUELA

Determination of the Commission in Investigation No. 731-TA-88 (Final) Under Section 735(b) of the Tariff Act of 1930, Together With the Information Obtained in the Investigation

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UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMISSIONERS

Alfred E. Eckes, Chairman

Paula Stern

Veronica A. Haggart

Kenneth R. Mason, Secretary to the Commission

This report was prepared by--

Stephen Miller, Investigator
Patrick Magrath, Office of Industries
Wallace Fullerton, Office of Economics
Marvin Claywell, Office of Investigations
William Perry, Office of the General Counsel

Lynn Featherstone, Supervisory Investigator

Address all communications to
Office of the Secretary
United States International Trade Commission
Washington, D.C. 20436

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Note.--The information in this publication is identical to the staff report submitted (on October 21, 1982) to the Commission in invs. Nos. 701-TA-148-150 (Final) and 731-TA-88 (Final), Carbon Steel Wire Rod from Belgium, Brazil, France, and Venezuela, with the exception of revisions to pp. A-1, A-2, and A-8, reflecting administrative proceedings by the Commission and Commerce subsequent to October 21. Information which would reveal the confidential operations of individual concerns may not be published and, therefore, has been deleted from this report. Such deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigation No. 731-TA-88 (Final)

CARBON STEEL WIRE ROD FROM VENEZUELA

Determination

On the basis of the record 1/ developed in the subject investigation, the Commission determines, pursuant to section 735(b)(1) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)(1)), that an industry in the United States is not materially injured or threatened with material injury, and that the establishment of an industry in the United States is not materially retarded, by reason of imports from Venezuela of carbon steel wire rod, provided for in item 607.17 of the Tariff Schedules of the United States, which have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV). Accordingly, pursuant to section 734(f)(3)(A) of the Act, the suspension agreement entered into by CVG-Siderurgica del Orinoco C.A. and the Department of Commerce shall have no force or effect and investigation No. 731-TA-88 (Final) is hereby terminated.

Background

The Commission instituted this investigation effective July 23, 1982, following a preliminary determination by the Department of Commerce that carbon steel wire rod from Venezuela is being sold or is likely to be sold in the United States at LTFV. Notice of the institution of the Commission's investigation and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register on August 4, 1982 (47 F.R. 33815). The hearing was held in Washington, D.C., on September 23, 1982, and all persons who requested the opportunity were permitted to appear in person or by counsel.

1/ The record is defined in sec. 207.2(i) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(i), 47 F.R. 6190, Feb. 10, 1982).

VIEWS OF THE COMMISSION

Based on the record in this investigation, we conclude that an industry in the United States is not materially injured or threatened with material injury, and that the establishment of an industry in the United States is not materially retarded, 1/ by reason of imports of carbon steel wire rod from Venezuela, which are being sold at less than fair value.

Procedural background

On February 8, 1982, a petition was filed by six domestic producers of carbon steel wire rod which alleged that the domestic carbon steel wire rod industry was being injured by subsidized imports of carbon steel wire rod from Belgium, Brazil, and France and less-than-fair-value imports of wire rod from Venezuela. On February 10, 1982, the Commission instituted investigations on carbon steel wire rod from Belgium (701-TA-148), Brazil (701-TA-149), France (701-TA-150), and Venezuela (731-TA-88).

On July 14, 1982, and July 23, 1982, the Department of Commerce published its preliminary affirmative determinations in those cases. In response to Commerce's preliminary determinations, the Commission instituted final investigations regarding imports of carbon steel wire rod from Belgium, Brazil, France, and Venezuela. A public hearing was held on September 23, 1982. On September 27, 1982, and on October 7, 1982, Commerce suspended its investigations regarding imports from Brazil and Venezuela respectively on the basis of suspension agreements, and accordingly, the Commission suspended its investigations on those imports.

1/ Material retardation is not an issue in this case.

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On October 27, 1982, CVG-Siderurgica del Orinoco C.A. (Sidor) the sole Venezuelan producer, requested the Commerce Department to continue the antidumping investigation on Venezuelan wire rod pursuant to section 734(g)(1) of the Tariff Act of 1930. Accordingly, on November 17, 1982, the Commission issued a notice announcing the continuation of the investigation. On December 30, 1982, the Commerce Department issued its final LTFV determination.

Domestic industry

Section 771(4)(A) of the Tariff Act of 1930 defines the term "industry" as the "domestic producers as a whole of a like product or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product." Section 771(10) defines "like product" as a product which is like, or in the absence of like, most similar in characteristics and uses with the article under investigation.

Both imported and domestic carbon steel wire rod are hot-rolled, semifinished, coiled products of solid, round cross section, not under 0.20 inch nor over 0.74 inch in diameter which are produced in a variety of different grades, sizes and qualities. Essentially all of the imported carbon steel wire rod from Venezuela is low carbon steel wire rod.

There are three types of carbon steel wire rod based on carbon content: low, medium-high, and high carbon steel wire rod. The domestic industry produces all three types. Each of these types has distinct characteristics and uses. 2/ Based on the information gathered in this and other investigations on this product, we conclude that low, medium-high, and high

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2/ See Report at A-5.

carbon steel wire rod can be considered three separate like products. 3/ However, domestic producers were not able to break out their data on the basis of low, medium-high, and high carbon steel wire rod because of the way in which their records are kept. 4/ Since available data do not permit the identification of these separate like products, the effect of the imports allegedly sold at less than fair value is assessed under section 771(4)(D) of the Act by examination of the production of the narrowest group which includes the like products for which the necessary information can be provided. The narrowest group of products which includes the like products is all carbon steel wire rod. Thus, the domestic industry consists of the producers of all carbon steel wire rod. 5/

No material injury by reason of LTFV imports

Under section 735(b) of the Tariff Act of 1930, as amended, the Commission is required to determine whether an industry in the United States is materially injured or threatened with material injury by reason of imports of merchandise which were found to be sold at less than fair value by the

3/ Within the low carbon category, continuous cast and rimmed wire rod can be distinguished to some degree on the basis of characteristics and uses. Since cast rod is substitutable for rimmed rod in all but five percent of the end use applications, we conclude that cast rod is like rimmed rod and domestic producers of both products should be considered as part of the domestic industry. See Report at A-4. The domestic producers accounting for the majority of U.S. production also informed the Commission that they could not break out their data on the basis of cast and rimmed wire rod.

4/ See Carbon Steel Wire Rod from Belgium, Brazil, France and Venezuela, Inv. Nos. 701-TA-148, 149 and 150 and 731-TA-88, hearing transcript at p. 122. The domestic producers gave the Commission general estimates of low, medium-high, and high carbon steel wire rod production, but these estimates were not based on actual figures.

5/ This is the same industry definition used by the Commission in Carbon Steel Wire Rod from Brazil and Trinidad and Tobago, Inv. Nos. 731-TA-113 and 114 (Preliminary), USITC Pub. 1316 (1982).

Department of Commerce. In reaching its determination, the Commission must consider, among other factors, the volume of imports, the effect of imports on prices in the United States for the like product, and the impact of such imports on the relevant domestic industry.

With respect to the condition of the domestic industry, we recently found that the industry as a whole was experiencing material injury. 6/ Nevertheless, we cannot find that Venezuelan imports are a cause of the material injury.

Imports of carbon steel wire rod from Venezuela rose from 0 in 1979 to approximately 5,000 tons in 1980, and again rose to over 25,000 tons in 1981. Venezuelan imports, however, ceased in August 1981. Consequently, there have been no imports of carbon steel wire rod from Venezuela for the last 18 months. 7/

At their peak in January-June 1981, imports of carbon steel wire rod from Venezuela comprised less than 6 percent of total imports. For the period January-June 1981, imports of wire rod from Venezuela accounted for 0.7 percent of apparent U.S. consumption and 1.1 percent of apparent U.S. non-captive consumption.

During the period when imports of carbon steel wire rod from Venezuela were at their peak, domestic commercial shipments were at their highest level for any period under investigation. 8/ In addition, there is no correlation

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6/ For a more detailed analysis of the condition of the domestic industry, See Certain Carbon Steel Wire Rod from Brazil and Trinidad and Tobago, Inv. Nos. 731-TA-113 and 114, USITC Pub. 1316 (1982)

7/ Imports of wire rod from Venezuela did not follow the trends of imports of other countries under investigation.

8/ Based on annualized shipments.

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between imports of wire rod from Venezuela and the performance of the domestic industry. The domestic nonintegrated wire rod producers which account for approximately 62 percent of domestic production showed a net profit of $8.6 million in January-June 1981, the period in which imports of wire rod from Venezuela were at their greatest. The same producers recorded a net loss of $4.0 million in January-June 1982 when there were no imports of wire rod from Venezuela.

The Commission received information concerning weighted average delivered prices paid by purchasers of standard quality low-carbon steel wire rod produced in the United States and imported from Venezuela. The prices for imports from Venezuela exceeded the average price of U.S.-produced wire rod in the periods for which information was available. 9/

A further analysis of the pricing data indicates that the average price of standard quality low carbon steel wire rod imported from Venezuela rose during the two quarters for which pricing information was available. The price of similar domestically-produced wire rod rose during the same period.

Although price has consistently been listed as the primary consideration in purchasing low-carbon, standard quality wire rod, the physical characteristics of the wire rod are important. Wire rod from Venezuela was noted by many purchasers to be of superior quality than that offered by petitioners. The primary difference between the imported rod and the domestic rod produced by petitioners is that Sidor uses a relatively minor amount of

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9/ It should be noted that a majority of Venezuelan imports were sold to only three customers who have a well established practice of purchasing their wire rod from a variety of foreign and domestic sources. Additionally, a substantial amount of those purchases were made in an area of the country in which the petitioners transact very little business. See Report at A-53.

scrap in the production of its wire rod, whereas petitioners primarily rely upon scrap as their basic input. Decreased reliance on scrap as a primary input results in a finished product of greater ductility, which may be of significant importance to certain purchasers of wire rod.

Based on the foregoing, we determine that imports of carbon steel wire rod from Venezuela have not been a cause of the material injury suffered by the domestic industry.

No threat of material injury

To find threat of material injury, the Commission must find that the threat is real and imminent and not based on a mere possiblity that injury might occur at some remote future date. 10/

The last imports of Venezuelan wire rod occurred in August 1981, and, accepting the petitioner's argument of a three month lag between sales and shipments, we can reasonably assume that the last sale of carbon steel wire rod occurred sometime in May 1981. It seems improbable that Sidor ceased exports to the U.S. market as a result of an antidumping petition filed 9 months after that date. Additionally, based on the best information available to the Commission, it appears that Sidor neither has the capability, nor the intent to export wire rod to the United States for the next few years. 11/

Sidor's capacity is 450,000 metric tons per year, but its actual production has never exceeded about 150,000 metric tons. Sidor cannot increase the effective utilization of its plant until at least 1985. Because

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10/ Alberta Gas Chemicals, Inc. v. United States, 515 F Supp. 780 (Ct Int'l Trade 1981).

11/ Report at A-34.

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of its projected level of shipments of wire rod to Colombia, Venezuela will continue to be a net importer of carbon steel wire rod. The State Department has confirmed that Sidor is not able to satisfy the present Venezuelan demand for wire rod. 12/

In light of these facts, we conclude that imports of carbon steel wire rod from Venezuela are not a threat of material injury to the domestic steel wire rod industry.

12/ See State Department memorandum, Exhibit A, Sidor brief, Oct. 6, 1982. Petitioners cite an article appearing in the American Metal Market magazine in which Venezuela has concluded an agreement with other Latin American countries concerning the shipment of 100,000 metric tons of wire rod. We believe that petitioners' argument that Venezuela will attempt to shift its exports of wire rod from these countries to the United States is too speculative and does not provide a sufficient basis for an affirmative decision.

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INFORMATION OBTAINED IN THE INVESTIGATIONS

Introduction

On February 8, 1982, a petition was filed by counsel on behalf of Atlantic Steel Corp., Georgetown Steel Corp., Georgetown Texas Steel Corp., Keystone Consolidated, Inc., Korf Industries, Inc., Penn-Dixie Steel Corp., 1/ and Raritan River Steel Co. with the Commission and with the Department of Commerce alleging that an industry in the United States is materially injured, or is threatened with material injury, by reason of imports from Belgium, Brazil, and France of carbon steel wire rod upon which bounties or grants are being paid and by reason of such imports from Venezuela which are being sold in the United States at less than fair value (LTFV). 2/ Accordingly, effective February 8, 1982, the Commission instituted preliminary material injury investigations under sections 701 and 731 of the Tariff Act of 1930. On March 18, 1982, the Commission determined that there was a reasonable indication that an industry in the United States was materially injured or threatened with material injury by reason of such imports.

The Department of Commerce published its preliminary affirmative countervailing duty and antidumping determinations in these cases in the Federal Register on July 14, 1982, and July 23, 1982, respectively. In response to Commerce's preliminary affirmative determinations, the Commission instituted investigations Nos. 701-TA-143 through 150 (Final) under section 705(b) of the act and investigation No. 731-TA-88 (Final) under section 735(b) of the act to determine whether an industry in the United States is materially injured or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of subsidized imports of carbon steel wire rod from Belgium, Brazil, and France, and/or LTFV imports of carbon steel wire rod from Venezuela, respectively. 3/

On September 27, 1982, Commerce published its final affirmative countervailing duty determinations on its investigations involving France and Belgium. 4/ On the same date, Commerce issued a suspension agreement negotiated with the Government of Brazil concerning carbon steel wire rod. Similarly, a suspension agreement involving the Government of Venezuela and exports of carbon steel wire rod was published on October 7, 1982. 5/ The investigation concerning Brazil was suspended following a commitment by the

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1/ Penn-Dixie was subsequently acquired by Continental Steel Corp., and is now manufacturing wire rod under that name.

2/ The petition also alleged that the Governments of Argentina and the Republic of South Africa subsidize the production or exportation of carbon steel wire rod. However, the Commission is not conducting investigations on these countries, because they have not signed the General Agreement on Tariffs and Trade (GATT) subsidies code.

3/ Copies of the Commission's notices of the institution of final countervailing duty and antidumping investigations are presented in app. A.

4/ Copies of Commerce's final affirmative subsidy determinations concerning Belgium and France are presented in appendix B.

5/ Copies of these suspension agreements are presented in app. C.

Government of Brazil to offset completely, by means of an export tax, the amount of net subsidy determined by the Department of Commerce to exist with respect to the subject merchandise. The investigation involving Venezuela was suspended following a commitment by SIDOR, the sole producer and/or exporter in Venezuela of carbon steel wire rod, to discontinue exports of that product to the United States.

On October 27, 1982, Commerce received a request from counsel for SIDOR to continue the aforementioned antidumping investigation. Accordingly, pursuant to section 734(g)(1) of the act, both Commerce and the Commission continued their investigations. On November 3, 1982, counsel for the petitioners notified Commerce and the Commission that they wished to withdraw their petitions concerning carbon steel wire rod from Belgium and France. Both Commerce and the Commission granted these requests effective that date. 1/

Other Commission Investigations Concerning Carbon Steel Wire Rod

The Commission recently conducted two preliminary antidumping investigations, Nos. 731-TA-113 and 114 (Preliminary), involving carbon steel wire rod from Brazil and Trinidad and Tobago. The Commission made unanimous affirmative determinations in both of these cases in November 1982. Commerce is scheduled to issue its preliminary determination of LTFV sales by March 9, 1983.

The Product

Description and uses

For the purpose of these investigations, carbon steel wire rod is a hot-rolled, semifinished, coiled product of solid, approximately round cross section, not under 0.20 inch nor over 0.74 inch in diameter, which has not been tempered, treated, or partly manufactured. Carbon steel wire rod can be differentiated by its chemistry, diameter, and the process by which it is manufactured. It is categorized by carbon-content levels based on specifications provided by the American Iron & Steel Institute (AISI). These categories are low-carbon rod (encompassing AISI grades 1006 through 1022, with a maxium carbon content of 0.23 percent), medium-high carbon rod (encompassing AISI grades 1023 to 1040, in which the carbon content varies from 0.24 to 0.44 percent), and high-carbon rod (encompassing AISI grades 1041 through 1095, with a maximum carbon content exceeding 0.44 percent).

The traditional method of making wire rod is the ingot method, which is employed most frequently by the integrated producers. 2/ In this process, pig iron and/or scrap steel are charged into basic oxygen, open hearth, or

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1/ Copies of the Commission's notices of continuation and termination of its final investigations are presented in app. D.

2/ Defined as those companies utilizing blast furnaces and whose principal commercial activity is the production and sale of carbon steel products.

electric furnaces. The resultant molten steel is poured into ladles which transport the liquid steel to ingot molds (typically 3 to 4 feet square by 6 feet deep) into which the steel is poured and allowed to solidify. When solid, the ingots are removed from the molds and placed in soaking pits for uniform heating. From the soaking pits the ingot is gradually reduced (rolled) into billets and then transfered to the rod mill.

Continuous casting (cast) is a newer method of converting raw steel into billets. This process is used extensively by the nonintegrated wire rod producers. Continuous casting is more efficient than the ingot method of billet making, as it forms the billet directly from molten steel, bypassing the need to form, reheat, and reduce ingots.

In the continous casting method, molten steel is transferred in preheated ladles to the continuous casting facilities by overhead cranes. Here the molten steel is poured into a receiving basin called the tundish, which channels the molten steel into spigots. At this stage the steel is "killed" 1/ with silicon or aluminum so that the molten steel is able to flow evenly through the spigots and into the continuous casting molds. In the molds, the steel is cooled by water sprays and partially solidifies into a moving strand of steel 4 or 5 inches square. This strand proceeds to the end of the billet preparation line and is cut into lengths of 40 to 50 feet. These billets are normally cooled and stored before being rolled into wire rod.

The billet is converted into wire rod by a hot-rolling process. The first step is the heating of the billet in the reheat furnace to uniform temperatures of 2,200° F to 2,400° F. Billets are then moved into the roughing, intermediate, and finishing stands which reduce them, at exiting speeds of up to 15,000 feet per minute to predetermined diameters. A typical billet will produce about 4.5 miles of 7/32-inch diameter wire rod.

After exiting from the last finishing stand, the rod is coiled into concentric loops on a conveyor, which moves the hot wire rod along while it cools. The speed at which the wire rod is cooled affects the formation of its metallurgical structure, which may be varied according to the rod's intended end use. The loops of wire rod are fed into various devices, depending on the particular plant, and collect into coils which are compacted, tied, and readied for shipment. The time span from the billet exiting the reheat furnace to the loading of a finished coil may be as little as 10 minutes.

The two methods of billet making produce different types of steel, which may be preferred or even specified by consumer of wire rod depending on the wire rod's intended end use and the wire fabricators wire-drawing facilities. Wire rod produced by the ingot process may be either "killed" (deoxidized) to retard the evolution of gases and segregation of residuals or "rimmed," in which gas evolution and residual segregation are allowed to occur; cast steel is of necessity always killed. 2/

1/ "Killed" is an expression used to describe steel to which deoxidizing agents, such as aluminum or silicon, have been added in order to stop the evolution of gases during cooling.

2/ Cast steel must be killed to prevent solidification of the molten steel in the tundish as it is slowly being poured into the strand caster. See transcript of the hearing, pp. 130 and 131.

Since the amount of oxygen dissolved in molten steel varies inversely with its carbon content, ingot or cast steel intended for use in the production of high-carbon wire rod can be readily killed or semikilled (in the case of ingots) by the introduction of deoxidation agents, principally silicon or aluminum. However, the lower the desired carbon content of the melt, the higher the amount of deoxidation agents required to kill the steel. Besides increasing the cost of the steel, the presence of the deoxidizing agents results in a product higher in nonmetallic inclusions (residuals), which make the resultant billet less ductile. Since the killing process also prevents segregation of these residuals, a killed steel will be inherently less ductile than a rimmed steel of the same carbon content, and conversely, will possess a higher tensile strength. 1/ Thus, wire rod produced from continuous cast billets, although more economical to produce, is sometimes not preferred by customers for end-use applications where ductility is required or desired. Rimmed wire rod, although it may sell for a premium over cast rod, 2/ can provide a greater yield and normally results in less die wear for the wire drawer. 3/

The differences between cast and rimmed wire rod, and the end-use applications for which the rimmed rod is preferred or required, were discussed extensively at the hearing in the instant case and in interested party submissions. Data from these and other industry sources contacted by the Commission indicate a consumer preference for rimmed wire rod in applications where ductility is important. Such customers will weigh the price advantage of the cast product against the workability and greater yield of the rimmed product in making purchasing decisions. However, aside from consumer preference, there exist only limited end uses of wire rod that require the rimmed product. These include very fine wire quality such as that used to make door and window screens, certain chemistries of welding-quality wire where control of residuals (especially copper) is critical, and aluminum-killed wire used for some industrial fasteners. These applications represent less than 5 percent of the total market for wire rod according to industry sources.

Carbon steel wire rod is distinguished by its chemical composition and its method of manufacture. In all phases of production, various practices are employed which determine the characteristics and quality of the finished product. The internal structure, surface quality, and physical properties of wire rod are affected by the method of casting the steel from which the rod is made and by altering the chemical composition of the steel. Some common qualities of carbon steel wire rod and their end-uses are discussed below.

1/ Raw steel may also contain higher residuals if it is the product of an electric arc furnace, which utilizes scrap as a raw material instead of pig iron produced in the blast-furnace process. The nonintegrated producers of wire rod use the electric arc furnace exclusively.

2/ The premium charged for rimmed wire rod has been estimated to be $25 to $30 per ton under normal market conditions. The premium decreases or is eliminated in times of slack demand.

3/ Both rimmed and cast wire rod producers assert that through scrap selection, enrichment of the charge with direct-reduced iron pellets, and other practices, cast wire rod producers can make a rimmed steel substitute with ductility approaching that of the rimmed product. However, such practices increase the cost of cast rod, which lessens its cost advantage vis-a-vis the rimmed product. Transcript of the hearing, pp. 126 to 130.

Low-carbon rod is used where malleability is required. Typical uses are in drawing into wire for wire mesh, home appliance shelving, shopping carts, nails, screws and bolts, baling wire, and chain link fences. Standard industrial quality rod and fine wire quality rod are low-carbon wire rod. Some cold-heading quality, welding quality, and cold-finishing quality rod may also be low-carbon rod. Low-carbon steel wire rod accounts for an estimated 60 to 65 percent of the U.S. market for carbon steel wire rod, with standard industrial quality rod as the industry's mainstay. Standard industrial quality steel rod is used primarily in the production of wire mesh, clothes hangers, and chain link fences where the tolerances required of the product are relatively low. Thus, because product differentiation is less significant, standard industrial quality rod is a fungible product, and the market for this product is highly competitive.

Medium-high carbon steel wire rod is used in applications where greater strength and hardness is desired. Major end uses include bolts and screws, snap-tie wire, bicycle spokes, and high-tensile balewire.

High-carbon rod is used where even greater strength is desired. Typical uses include mechanical springs, upholstery springs, tire-bead, tire cord wire, and bridge cables. Traditionally, high-carbon wire rod has sold at higher prices than medium-high or low-carbon wire rod, and to different end users.

The imported product

Approximately 94 percent of the wire rod imported from the cited countries is low carbon rod. 1/ The producers of carbon steel wire rod in France and Belgium receiving bounties or grants are integrated steel producers that produce rimmed rod and cast rod in all grades and of all qualities. The product imported from Brazil and Venezuela is generally a cast rod. 2/ Brazil also has the capability to produce carbon steel wire rod of all grades and qualities, but the bulk of South American exports to the United States consists of "standard quality" rod. Imports from the cited countries consisted of 60 percent rimmed rod and 40 percent cast rod in 1981.

The domestic product

U.S.-produced carbon steel wire rod (both rimmed and cast) is available in all grades and qualities. However, based on estimates received from 14 major U.S. producers, shipments of carbon steel wire rod were approximately 61 percent low carbon, 10 percent medium-high carbon, and 29 percent high carbon in 1981.

1/ Based on returns of Commission questionnaires accounting for 94 percent of imports reported in the official statistics of the U.S. Department of Commerce in 1981.

2/ Producers of carbon steel wire rod in Brazil and Venezuela generally use less scrap metal in the production of their wire rod, which tends to increase the ductility of their products.

Approximately 40 percent of U.S. production of wire rod is consumed by the manufacturer of the wire rod. These manufacturers further process the rod into wire, nails, staples, and other wire products. The rest of the wire rod is shipped to independent wire fabricators. Domestic production of carbon steel wire rod consisted of 51 percent cast rod and 49 percent rimmed rod in 1981.

U.S. tariff treatment

Carbon steel wire rod is classified under items 607.14 and 607.17 of the Tariff Schedules of the United States (TSUS). 1/ TSUS item 607.14 provides for wire rod of iron or steel, other than alloy iron and steel, not tempered, not treated, and not partly manufactured, and valued at not over 4 cents per pound. However, because there have been no imports reported from the cited countries for this item during 1979-81, it has been excluded from these investigations. Item 607.17 provides for wire rod of iron or steel, other than alloy iron and steel, not tempered, not treated, and not partly manufactured, and valued at more than 4 cents per pound. As of January 1, 1982, the column 1 (most-favored-nation) rate of duty for item 607.17 was 2.0 percent ad valorem. 2/ As a result of a concession granted in the Tokyo round of the Multilateral Trade Negotiations (MTN), this rate will be reduced on January 1, 1985, to 1.9 percent ad valorem; no further reductions are scheduled.

The column 2 rate of duty for item 607.17 is 5.5 percent ad valorem. 3/ Imports under this item are not eligible for duty-free treatment under the Generalized System of Preferences (GSP). 4/ However, imports from the least developed developing countries (enumerated in general headnote 3(d) of the TSUS) are assessed the preferential rate of 1.9 percent ad valorem, representing the full MTN concession rate.

1/ Prior to Jan. 1, 1980, carbon steel wire rod was classified under TSUS items 608.70 and 608.71.

2/ In 1980 and 1981, the col. 1 rate of duty for item 607.17 was 0.25 cent per pound. The col. 1 rates are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(f) of the TSUS.

3/ The rate of duty in col. 2 applies to imported products from those Communist countries and areas enumerated in general headnote 3(f) of the TSUS.

4/ The GSP, under title V of the Trade Act of 1974, provides duty-free treatment for specified eligible articles imported directly from designated beneficiary developing countries. GSP, implemented by Executive Order No. 11888 of Nov. 24, 1975, applies to merchandise imported on or after Jan. 1, 1976, and is expected to remain in effect until January 1985.

Nature and Extent of Bounties or Grants 1/

Belgium

The Department of Commerce determined, based on its final investigation, that benefits constituting subsidies are being provided under the programs listed below to manufacturers, producers, or exporters in Belgium of carbon steel wire rod:

1. Capital grants;
2. Exemptions from real property tax;
3. Exemptions from capital registration tax;
4. Loans to uncreditworthy companies;
5. Equity participation by the Government of Belgium;
6. Assumption of financing costs;
7. Preferential loans;
8. Industrial investment loans from the European Coal and Steel Community (ECSC);
9. Reimbursement of worker training costs;
10. Readaptation and retraining assistance; and
11. Funds for loss coverage.

The reorganized steel company, Cockerill-Sambre, is the only known Belgian producer and exporter of carbon steel wire rod to the United States. Its estimated net subsidy was 13.225 percent ad valorem.

Brazil

The Department of Commerce measured subsidization provided to the only known Brazilian exporters of carbon steel wire rod, Companhia Siderurgica Belgo-Mineira (Belgo-Mineira) and Companhia Siderurgica Da Guanabara (COSIGUA), during the calendar year 1981, and preliminarily determined that such subsidization amounted to 14.3 percent ad valorem. A suspension agreement between Commerce and the Government of Brazil (GOB) in which the GOB agreed to completely offset the benefits provided by the programs listed below became effective on September 27, 1982.

1/ A complete discussion of bounties and grants may be found in app. B.

1. IPI (Industrialized Products Tax) rebates for capital investment;

2. IPI export credit premiums;

3. Preferential working capital financing for; exports;

4. Income tax exemptions for export earnings; and

5. Benefits on machinery imported under the Industrial Development Council program.

6. Accelerated depreciation for Brazilian-made capital goods; and

7. Export credits provided through Resolution 68.

France

The Department of Commerce considered all French producers and exporters of carbon steel wire rod, Societe des Acieries et Laminoirs de Lorraine (Sacilor), Societe Metallurgique de Normandie (Normandie), and Union Siderurgique du Nord et de l'Est de la France (Usinor), in its measurement of subsidization for calendar year 1981. Commerce found that the following programs provide benefits which constituted subsidies in the production and exportation of carbon steel wire rod:

1. Preferential financing including equity infusions;

2. Grants;

3. Certain labor-related aid; and

4. Research and development.

Commerce determined that these programs provide French producers of carbon steel wire rod, with the exception of Normandie, with benefits totalling 14.223 percent ad valorem. Normandie was found to receive subsidies of 0.291 percent ad valorem, which is de minimis. Therefore, the suspension of liquidation which Commerce ordered in its preliminary determination has been terminated with respect to Normandie.

Nature and Extent of Sales at LTFV

The sole Venezuelan producer and exporter of carbon steel wire rod, SIDOR, was found by Commerce to have sold carbon steel wire rod in the United States at LTFV in 1980. This merchandise was shipped in 1981. Commerce compared foreign market value (defined as the price for such or similar merchandise sold for consumption in the home market of Venezuela) with United States price (defined as the actual purchase price of the imported product by an unrelated purchaser). The comparison of these two figures resulted in a dumping margin of 40 percent.

Channels of Distribution 1/

Wire rod is ordinarily sold directly from the mill to the customer, who is almost always a wire drawer. The customer may either convert the wire rod into wire for his own purposes or sell it as such for use in an estimated 150,000 different wire products. Thus, the U.S. demand for carbon steel wire rod is dependent on the demand for wire products and the state of the overall economy.

As noted later in this report, over 40 percent of total domestic shipments of carbon steel wire rod is captively-consumed by the manufacturer in the production of wire products. Therefore, wire rod producers owning wire-fabricating facilities compete directly with their customers for sales to consumers of wire products in numerous instances.

U.S. Producers

Total U.S. raw steel production in January-June 1982 was 43 million tons (according to AISI statistics); carbon steel wire rod production, as reported in the Commission's questionnaires, was 1.9 million tons. There are currently 16 firms which are known to produce carbon steel wire rod in the United States. The following tabulation was compiled from data submitted in response to questionnaires of the Commission and lists the carbon steel wire rod producers, their plant locations, each firm's carbon steel wire rod production capacity in 1981, and whether the firm is an integrated (I) or nonintegrated (N) producer.

Company	Location(s)	Capacity (1,000 tons)
Ameron Corporation (N)	Etiwanda, Calif.	***
Armco, Inc. (I)	Kansas City, Mo.	***
Atlantic Steel Corp. (N)	Atlanta, Ga.	***
Bethlehem Steel Corp. (I)	Johnstown, Pa. Sparrows Point, Md.	***
CF&I Steel Corp. (I)	Pueblo, Colo.	***
Charter Rolling (N)	Saukville, Wis.	***
Georgetown Steel 1/ (N)	Georgetown S.C. Beaumont, Tex.	***
Jones & Laughlin Steel, Inc. (I)	Aliquippa, Pa.	2/ ***
Keystone Consolidated Ind., Inc. (N)	Peoria, Ill.	***
Laclede Steel Co. (N)	Alton, Ill.	***
Northwestern Steel & Iron Co. (N)	Sterling, Ill.	***
Penn-Dixie Steel Corp. (N)	Kokomo, Ind.	***
Raritan River Steel Co. (N)	Perth Amboy, N.J.	***

See footnotes at end of tabulation.

1/ A more detailed description of marketing practices and the pricing of wire rod is presented in the pricing section of this report.

Company	Location(s)	Capacity (1,000 tons)
Republic Steel Corp. (I)	S. Chicago, Ill.	***
Roblin Steel Co. (N)	N. Tonawanda, N.Y.	***
United States Steel Corp. (I)	Cuyahoga, Ohio Fairless Hills, Pa. Joliet, Ill.	***

1/ Includes Georgetown Texas Steel Corp. and Georgetown Steel Corp., both owned by Korf Industries.

2/ Jones & Laughlin closed its wire rod facilities in October 1981.

In 1981, domestic producers operated approximately 20 establishments in which carbon steel wire rod was produced. These plants are scattered throughout the United States, but are concentrated in the Great Lakes area and in Pennsylvania. Six of the firms are fully integrated producers, four are specialty steel producers, and the remaining companies are minimills. Of the total U.S. production of carbon steel wire rod in 1981, the integrated steel producers accounted for 43 percent, the minimills, for 38 percent, and the specialty steel producers, for 19 percent.

Production capabilities vary among the domestic producers in respect to the manufacture of rimmed and cast carbon steel wire rod. The following tabulation was compiled from data submitted in response to questionnaires of the Commission and presents each producer's current production capabilities.

Company	Wire rod production	
	Rimmed	Cast
Ameron Corp		X
Armco, Inc	X	X
Atlantic Steel Corp		X
Bethlehem Steel Corp	X	
CF&I Steel Corp	X	X
Georgetown Steel		X
Keystone Consolidated	X	X
Laclede Steel Co	X	
Northwestern Steel & Iron Co		X
Penn-Dixie Steel Corp	X	
Raritan River Steel Co		X
United States Steel Corp	X	

U.S. Importers

Information provided by the U.S. Customs Service identifies approximately 25 importers of carbon steel wire rod from the countries whose imports are the subject of these investigations. In general, the bulk of exports from the subject countries entered the United States through one or two importers. In the cases of France and Belgium, the major importers were also related to major steel producers in those countries. Some imports of the product were entered by trading companies, which import carbon steel wire rod

from a number of sources, and a few importers are manufacturers of wire and wire products. Major importers of carbon steel wire rod from the subject countries during October 1979-February 1982 are listed in the following tabulation:

Country	Importing firm
Belgium	* * *
	* * *
	* * *
	* * *
	* * *
Brazil	* * *
	* * *
	* * *
France	* * *
	* * *
	* * *
	* * *
	* * *
Venezuela	* * *
	* * *

The Question of Material Injury

U.S. production, capacity, and capacity utilization

The Commission requested specific information on U.S. producers' operations on low, medium-high, and high-carbon steel wire rod in its questionnaires. Returns indicated that such data are not available on employment, financial experience, shipments, or inventories. The percentage distribution of production, by carbon content, is presented in the following tabulation (in percent of total production): 1/

Carbon content	Ingot or rimmed steel	Cast steel	Overall
Low	53	70	61
Medium-high	16	4	10
High	31	26	29
Total	100	100	100

1/ Producers were generally able only to estimate their production of wire rod based on carbon content (low, medium-high, or high) and type (rimmed or cast). Also, transcript of the hearing, see p. 122.

U.S. production of carbon steel wire rod declined from 1979 to 1981, from 5.3 million to 4.7 million tons, or by 11 percent. The decline in production in January-June 1982 compared with that in the corresponding period of 1981 was sharper, at 30 percent (table 1).

Table 1.--Carbon steel wire rod: U.S. production, by types of firms, 1/ 1979-81, January-June 1981, and January-June 1982

Type of firm	1979	1980	1981	January-June--	
				1981	1982
	Production (short tons)				
Integrated producers	3,172,237	2,359,494	2,197,839	1,224,520	671,906
Nonintegrated producers	2,159,032	2,139,043	2,524,754	1,271,080	1,087,298
Total	5,331,269	4,498,537	4,722,593	2,495,600	1,759,204
	Percent of total				
Integrated producers	59.5	52.5	46.5	49.1	38.2
Nonintegrated producers	40.5	47.5	53.5	50.9	61.8
Total	100.0	100.0	100.0	100.0	100.0

1/ Production data include responses from 14 firms.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Despite the closing of the Jones & Laughlin rod mill in October 1981, and the closing of three rod mills operated by U.S. Steel in 1979 and 1981, U.S. capacity to produce carbon steel wire rod increased over the period under consideration (table 2), rising from 6.1 million tons in 1979 to 6.2 million tons in 1981, or by about 2 percent. Production capacity dropped by about 9 percent in January-June 1982 compared with that in the first half of 1981. This drop was caused by the shutdown of rod mills at * * * and * * *.

The recent increases in U.S. capacity are the result of modernizations and expansions on the part of the minimills as well as the entry of Raritan, the newest minimill. The capacity of the integrated producers declined by more than 400,000 tons during 1979-81 and will decline by at least another * * * tons in 1982 because of the closing of * * *.

Table 2.--Carbon steel wire rod: U.S. production, production capacity, and capacity utilization, by types of firms, 1/ 1979-81, January-June 1981, January-June 1982

Type of firm	1979	1980	1981	January-June-- 1981	January-June-- 1982
	Production (short tons)				
Integrated producers	3,172,237	2,359,494	2,197,839	1,224,520	671,906
Nonintegrated producers	2,159,032	2,139,043	2,524,754	1,271,080	1,087,298
Total	5,331,269	4,498,537	4,722,593	2,495,600	1,759,204
	Production capacity 2/ (short tons)				
Integrated producers	3,221,219	2,852,565	2,756,940	1,490,033	1,235,034
Nonintegrated producers	2,856,255	3,106,255	3,449,255	1,714,628	1,674,378
Total	6,077,474	5,958,820	6,206,195	3,204,661	2,909,412
	Capacity utilization (percent)				
Integrated producers	98.5	82.7	79.7	82.2	54.4
Nonintegrated producers	75.6	68.9	73.2	74.1	64.9
Total	87.7	75.5	76.1	77.9	60.5

1/ Data include responses from 14 firms.

2/ Capacity is defined as the greatest level of output a firm can achieve within the framework of a realistic and sustainable work pattern. Aggregate capacity is based on production facilities operating an average of 149 hours per week, 50.5 weeks per year.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

The distribution of U.S. production has also changed significantly during the period under consideration. In 1979, the integrated steel producers accounted for 59.5 percent of overall production. Their market share has eroded to 38.2 percent of production in January-June 1982. The nonintegrated producers have made increasing gains during the period under investigation.

Utilization of U.S. producers' capacity to produce carbon steel wire rod declined during the period under consideration from 88 percent in 1979 to 76 percent in 1981, and plummetted in January-June 1982 to 61 percent. Capacity was defined as the greatest level of output a firm could achieve within the framework of a realistic and sustainable work pattern. Several firms were able to produce more than their stated capacity in 1979 by reducing the time allowed for maintenance work. Additionally, many of the integrated producers

reported annual capacity for wire rod by allocating a predetermined amount of steelmaking capacity to wire rod based on projections of sales of wire rod for that year. Some integrated firms reported production 10 to 15 percent above stated capacity in 1979. However, such a work pattern could not be continued on a sustained basis.

U.S. producers' shipments

U.S. producers' commercial shipments 1/ have increased slowly over the period under consideration from 2.8 million tons in 1979 to 2.9 million tons in 1981 (table 3). However, this does not reflect a uniform trend among all U.S. producers of carbon steel wire rod. The commercial shipments of the integrated producers totaled 1.9 million tons in 1979. By 1981, the integrated producers' commercial shipments had declined by 28 percent to 1.3 million tons.

The integrated producers' share of commercial shipments fell from 67.1 percent in 1979 to 35.3 percent in January-June 1982. During the same period the average unit value of the integrated producers rose by 22.2 percent from $356 per ton to $435 per ton. At the same time, the average unit value of the nonintegrated producers' declined unevenly from $350 per ton to $345 per ton. However, both integrated and nonintegrated producers experienced sharp declines in sales in January-June 1982 as compared with those in the corresponding period of 1981. Commercial shipments by the nonintegrated producers fell 9.5 percent while commercial shipments by the integrated producers plunged by 55.2 percent.

Monthly data on U.S. producers' net shipments of carbon steel wire rod for 1981 and January-June 1982 were available from AISI. These data are presented in figure 1. The data show an increase in U.S. producers' shipments from January to March 1981, but a general decline for the remainder of 1981 and into 1982. U.S. producers' net shipments in 1982 were less than those in 1981 for all months.

U.S. exports

Data on U.S. producers' exports of carbon steel wire rod are presented in table 4. These data indicate that, with the exception of 1980, U.S. producers' exports have not represented a significant portion of their overall sales. In 1980, U.S. producers' exports totaled 246,495 tons and accounted for 8.9 percent of U.S. producers' commercial shipments. According to official statistics of the U.S. Department of Commerce, 36 percent of U.S. exports of carbon steel wire rod went to Mexico, 32 percent went to Canada, and 20 percent, to the People's Republic of China in 1981.

1/ About 50 to 60 percent of U.S. producers' total shipments of carbon steel wire rod consist of commercial shipments. The remainder is consumed internally in the production of other products. Data on total shipments are presented in the section of this report on apparent U.S. consumption.

Table 3.--Carbon steel wire rod: U.S. producers' commercial shipments, 1/ by types of firms, 1979-81, January-June 1981, and January-June 1982 2/

Type of firm	1979	1980	1981	January-June-- 1981	January-June-- 1982
	Quantity (short tons)				
Integrated producers	1,856,822	1,612,573	1,331,028	810,771	363,252
Nonintegrated producers	909,369	1,160,056	1,543,293	734,156	664,338
Total	2,766,191	2,772,629	2,874,321	1,544,927	1,027,590
	Value (1,000 dollars)				
Integrated producers	660,444	577,497	537,414	321,943	158,160
Nonintegrated producers	318,517	372,839	520,069	251,349	228,899
Total	978,961	950,336	1,057,483	573,292	387,059
	Average unit value (per short ton)				
Integrated producers	$356	$358	$404	$397	$435
Nonintegrated producers	350	321	337	342	345
Total	354	343	368	371	377
	Percent of total quantity				
Integrated producers	67.1	58.2	46.3	52.5	35.3
Nonintegrated producers	32.9	41.8	53.7	47.5	64.7
Total	100.0	100.0	100.0	100.0	100.0

1/ Noncaptive domestic sales plus exports.

2/ U.S. producers submitting usable data accounted for 98.3 percent of net shipments of carbon steel wire rod in 1981 as reported by the American Iron & Steel Institute.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Note.--Because of rounding, figures may not add to the totals shown.

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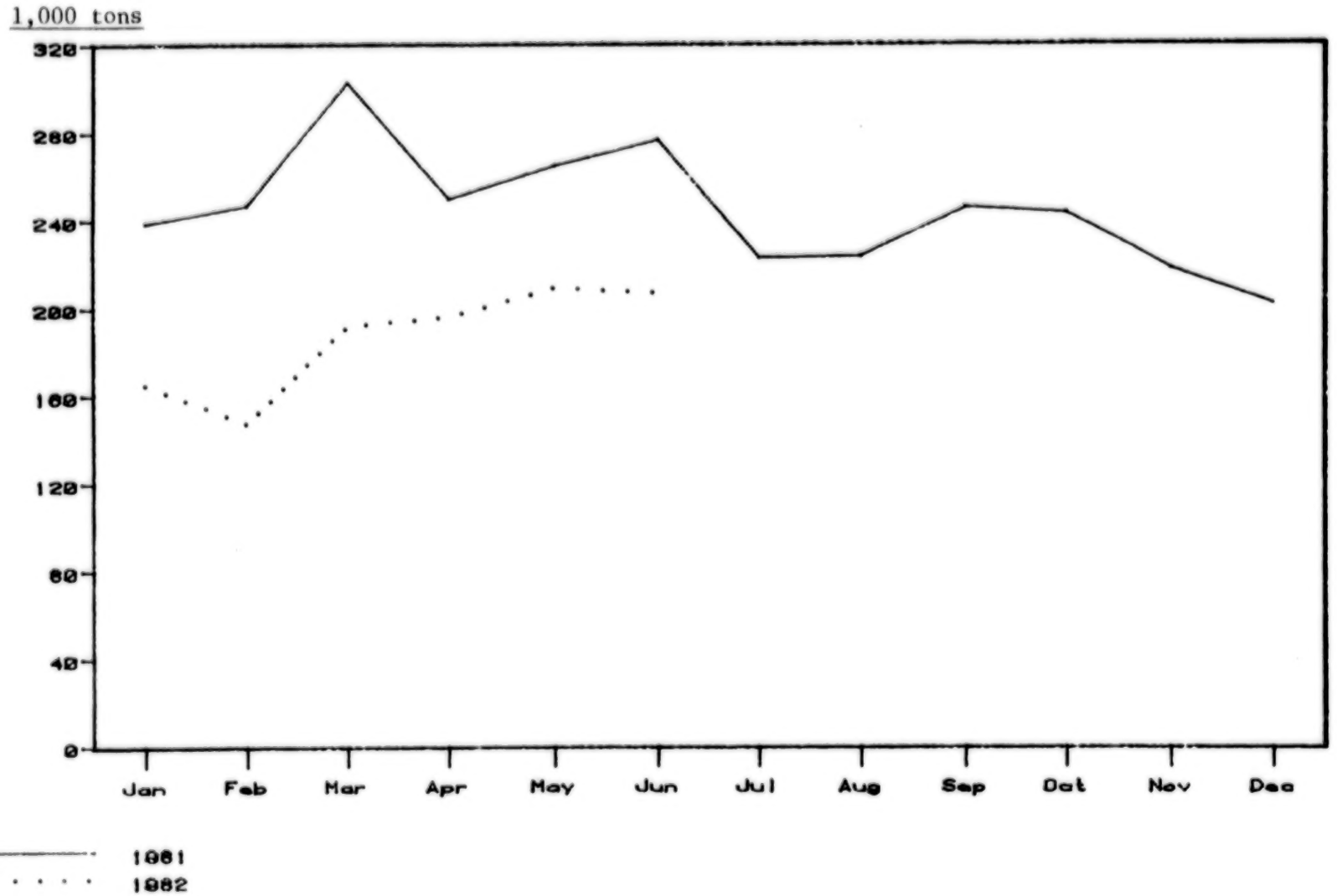
Figure 1.--Carbon steel wire rod: U.S. producers' net shipments, by months, January 1981-June 1982



Source: Compiled from data of the American Iron and Steel Institute.

Table 4.--Carbon steel wire rod: U.S. producers' exports and total commercial shipments 1/, 1979-81, January-June 1981, and January-June 1982

Period	Producers' exports	Total commercial shipments	Ratio of exports to shipments
	Short tons		Percent
1979	26,443	2,766,191	1.0
1980	246,495	2,772,629	8.9
1981	84,126	2,874,321	2.9
January-June--			
1981	18,728	1,544,927	1.2
1982	10,844	1,027,590	1.1

1/ Noncaptive domestic sales plus exports.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Inventories

The quantity of U.S. producers' end-of-period inventories of carbon steel wire rod fell by 9.8 percent from 1979 to 1980, but rose to 163,986 tons in 1981, representing an increase of 3.6 percent over the 1980 level. In each of these years, however, end-of-period inventories were relatively stable as a share of U.S. producers' total shipments of carbon steel wire rod (3.3 percent in 1979, 3.5 percent in 1980, and 3.4 percent in 1981). Inventories, rose to 4.9 percent of shipments in January-June 1982, when they totaled 171,172 tons (table 5).

U.S. importers' end-of-period inventories are shown in table 6. The data show no inventories of carbon steel wire rod from Belgium, Brazil, or Venezuela for 1979 and 1980 and declining inventories of carbon steel wire rod from France from 1979 to 1980. In 1981, however, U.S. importers reported significant inventories from Brazil and Belgium. Inventories from the four cited countries totaled 14,931 tons and represented 8.8 percent of the imports reported from these four countries.

Table 5.--Carbon steel wire rod: U.S. producers' end-of-period inventories and total shipments, 1/ 1979-81, January-June 1981, and January-June 1982

End of period	Producers' inventories	Producers' shipments	Ratio of inventories to shipments
	Short tons		Percent
1979	175,497	5,386,953	3.3
1980	158,296	4,537,926	3.5
1981	163,986	4,767,594	3.4
June--			
1981	171,439	2,611,783	2/ 3.3
1982	171,172	1,761,743	2/ 4.9

1/ Total shipments include intraplant and intercompany transfers as well as total commercial shipments.

2/ Based on annualized shipments.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 6.--Carbon steel wire rod: End-of-period inventories held by U.S. importers and imports by these firms, by specified sources, 1979-81, January-June 1981, and January-June 1982

Source and period	Importers' inventories	Imports	Ratio of inventories to imports
	Short tons		Percent
Belgium:			
1979	***	***	***
1980	***	***	***
1981	***	***	***
January-June--			
1981	***	***	***
1982	***	***	***
Brazil:			
1979	***	***	***
1980	***	***	***
1981	***	***	***
January-June--			
1981	***	***	***
1982	***	***	***
France:			
1979	***	***	***
1980	***	***	***
1981	***	***	***
January-June--			
1981	***	***	***
1982	***	***	***
Venezuela:			
1979	***	***	***
1980	***	***	***
1981	***	***	***
January-June--			
1981	***	***	***
1982	***	***	1/ ***
Total, specified sources:			
1979	7,894	136,895	5.8
1980	4,485	130,135	3.4
1981	14,931	170,226	8.8
January-June--			
1981	6,779	63,319	10.7
1982	5,327	81,846	6.5

1/ No imports in this period, hence, ratio is not applicable.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Apparent U.S. consumption

Apparent U.S. consumption of carbon steel wire rod, including captive consumption, declined sharply from 1979 to 1980, but recovered somewhat in 1981 (table 7). Apparent U.S. consumption declined from 6.2 million tons in 1979 to 5.4 million tons in 1981, or by 13 percent; consumption dropped by over 28 percent in the first half of 1982 as compared to that in the corresponding period of 1981.

Apparent U.S. noncaptive consumption of carbon steel wire rod has followed a different trend from total U.S. consumption (table 8). Apparent U.S. noncaptive consumption declined from 3.6 million tons in 1979 to 3.3 million tons in 1980, before recovering to 3.6 million tons in 1981. Such consumption, however, declined almost 27 percent from that in January-June of 1981 to that in January-June 1982.

Table 7.--Carbon steel wire rod: U.S. producers' total shipments, imports for consumption, exports, and apparent U.S. consumption, 1979-81, January-June 1981, and January-June 1982

(In short tons)

Item	1979	1980	1981	January-June--	
				1981	1982
U.S. producers' shipments	5,386,953	4,537,926	4,767,594	2,611,783	1,761,743
Imports for consumption	818,799	729,902	760,734	375,928	373,105
Exports	26,443	246,495	84,126	18,728	10,844
Apparent U.S. consumption	6,179,309	5,021,333	5,444,202	2,968,983	2,124,004

Source: U.S. producers' total shipments and exports compiled from data submitted in response to questionnaires of the U.S. International Trade Commission; imports for consumption compiled from official statistics of the U.S. Department of Commerce.

Table 8.--Carbon steel wire rod: U.S. producers' commercial shipments, imports for consumption, exports, and apparent U.S. noncaptive consumption, 1979-81, January-June 1981, and January-June 1982

(In short tons)

Item	1979	1980	1981	January-June--	
				1981	1982
U.S. producers' commercial shipments	2,766,191	2,772,629	2,874,321	1,544,927	1,027,590
Imports for consumption	818,799	729,902	760,734	375,928	373,105
Exports	26,443	246,495	84,126	18,728	10,844
Apparent noncaptive consumption	3,558,547	3,256,036	3,550,929	1,902,127	1,389,851

Source: U.S. producers' commercial shipments and exports compiled from data submitted in response to questionnaires of the U.S. International Trade Commission; imports for consumption compiled from official statistics of the U.S. Department of Commerce.

U.S. employment, wages, and productivity

The average number of all persons employed in U.S. establishments producing carbon steel wire rod declined in each period under consideration, from 114,429 in 1979 to 75,127 in January-June 1982, or by 34.4 percent (table 9). The average number of production and related workers employed in the production of carbon steel wire rod also declined, from 10,284 to 4,703, or by 54.2 percent during the same period. The largest decline in each instance was from January-June 1981 to January-June 1982.

Table 9.--Average number of employees, total and production and related workers, in U.S. establishments producing carbon steel wire rod, and hours worked by and hourly wages and total compensation 1/ paid to the latter, 1979-81, January-June 1981, and January-June 1982

Item	1979	1980	1981	January-June--	
				1981	1982
Average employment:					
All persons:					
Number	114,429	94,349	90,746	94,766	75,127
Percentage change	2/	(17.5)	(3.8)	2/	(20.7)
Production and related workers producing carbon steel wire rod:					
Number	10,284	8,221	7,497	7,073	4,703
Percentage change	2/	(20.1)	(8.8)	2/	(33.5)
Hours worked by production and related workers producing carbon steel wire rod:					
Number-----thousands	20,764	16,111	14,852	8,225	5,502
Percentage change	2/	(22.4)	(7.8)	2/	(33.1)
Hourly wages paid to production and related workers producing carbon steel wire rod:					
1,000 dollars	234,781	200,937	203,421	111,445	76,723
Percentage change	2/	(14.4)	1.2	2/	(31.2)
Total compensation paid to production and related workers producing carbon steel wire rod:					
1,000 dollars	303,053	266,555	274,719	149,904	106,348
Percentage change	2/	(12.0)	3.2	2/	(29.1)

1/ Includes hourly wages, contributions to social security, and other employee benefits.

2/ Not available.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

The hours worked by production and related workers producing carbon steel wire rod followed a trend similar to that of employment, declining from 21 million in 1979 to 15 million in 1981, or by 29 percent.

Hourly wages paid to production and related workers followed a slightly different trend, declining from 1979 to 1980, but increasing slightly in 1981. Hourly wages, however, plunged in January-June 1982 compared with those in the corresponding period of 1981, slipping by 31.2 percent. Hourly wages paid to production and related workers producing carbon steel wire rod accounted for an average of 75 percent of the total compensation paid to such workers.

The productivity of the production and related workers in the carbon steel wire rod industry varies significantly from producer to producer; however, the trend is clearly upward (table 10). As mentioned earlier, it is extremely difficult for multiproduct producers to accurately account for personnel and materials devoted to carbon steel wire rod. Hence no attempt will be made to address productivity on a company by company basis, or on an integrated/nonintegrated producer basis.

Table 10.--Labor productivity, hourly wages, and unit labor costs in the production of carbon steel wire rod, 1979-81, January-June 1981, and January-June 1982

Item	1979	1980	1981	January-June--	
				1981	1982
Labor productivity:					
Pounds per hour	514	558	636	606	708
Percentage increase	1/	8.6	14.0	1/	16.8
Hourly wages: 2/					
Per hour	$14.44	$16.54	$18.50	$18.23	19.33
Percentage change	1/	14.5	11.9	1/	6.0
Unit labor costs:					
Per ton	$57	$59	$58	$60	$55
Percentage change	1/	3.5	(1.2)	1/	(8.3)

1/ Not available.

2/ Hourly wages includes fringe benefits provided to production and related workers producing carbon steel wire rod.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Labor productivity increased during the period under investigation by 37.7 percent; the hourly cost of labor increased somewhat less at 33.9 percent. This discrepency between the growth in productivity and growth in wages and fringe benefits, accompanied by a sharp decline in employment, effectuated the aggregate diminution in unit labor costs.

Financial experience of U.S. producers

Overall establishment operations.--Twelve producers of carbon steel wire rod provided profit-and-loss data relative to the overall operations of the establishments or divisions within which such rod is produced. 1/ Total net sales by these producers increased from $17.6 billion in 1979 to $18.6 billion in 1981 (table 11). In the aggregate, the 12 firms derived about 7 percent of the revenues of the overall establishment or division from the sale of carbon steel wire rod.

The 12 firms sustained aggregate operating losses of $8 million in 1979, and $658 million in 1980, and reported a profit of $266 million in 1981. The results for January-June of 1982 were bleak, with an overall loss of over $0.5 billion.

Operations on carbon steel wire rod.--The 12 firms which furnished profit-and-loss data accounted for about 90 percent of total U.S. producers' shipments of carbon steel wire rod in 1981. Their net sales of carbon steel wire rod dropped by 12 percent between 1979 and 1980 but recovered to $1.2 billion in 1981, nearly equalling the 1979 sales level (table 12).

The 12 firms' aggregated operations of carbon steel wire rod were profitable in 1979, but unprofitable for the remainder of the period under investigation. The integrated producers sustained significant losses in every period, losing as much as $56.8 million in 1980. In contrast, nonintegrated producers showed operating profits in every period, except for January-June 1982, when they sustained operating losses of $4 million. The carbon steel wire rod industry recorded a ratio of net operating loss to net sales of 9.2 percent in January-June 1982.

The ratio of cost of goods sold to net sales rose from 95 percent in 1979 to 101 percent in 1980, indicating that, in the aggregate, the 12 firms sold carbon steel wire rod at less than the cost of production during 1980. In 1981, the ratio of cost of goods sold to net sales declined to 98 percent, before once again rising to above 100 percent in January-June 1982. As a whole, the carbon steel wire rod operations of the minimills * * * were the most profitable operations of all; generally showing profits during 1979-81.

Cash flow from operations.--Cash flow generated by integrated producers and nonintegrated producers from their operations producing carbon steel wire rod are shown in table 13. Cash flow from overall operations ranged from a low of ($9) million by the integrated producers in 1981 to a high of $52 million for the nonintegrated producers in 1979.

1/ * * *.

Table 11.--Profit-and-loss experience of 12 U.S. producers on the overall operations of their establishments or divisions within which carbon steel wire rod is produced, by types of firms, accounting years 1979-81, January-June 1981, and January-June 1982

Year and type of firm	Net sales	Cost of goods sold	Gross profit or (loss)	General, selling, and administrative expenses	Net operating profit or (loss)	Ratio of net operating profit or (loss) to net sales	Ratio of cost of goods sold to net sales
	Million dollars					Percent	
1979:							
Integrated producers	16,259	16,002	257	370	(114)	(0.7)	98.4
Nonintegrated producers	1,366	1,213	152	47	106	7.8	88.8
Total/Average	17,625	17,215	409	417	(8)	(1/)	97.7
1980:							
Integrated producers	14,879	15,188	(309)	381	(690)	(4.6)	102.1
Nonintegrated producers	1,262	1,181	81	49	32	2.5	93.6
Total/Average	16,141	16,369	(227)	430	(658)	(4.1)	101.4
1981:							
Integrated producers	17,245	16,585	659	432	227	1.3	96.2
Nonintegrated producers	1,316	1,229	88	49	39	3.0	93.4
Total/Average	18,561	17,814	747	481	266	1.4	96.0
January-June 1981:							
Integrated producers	9,118	8,895	222	215	7	0.1	97.6
Nonintegrated producers	692	636	57	25	31	4.5	91.9
Total/Average	9,810	9,531	279	240	38	0.4	97.2
January-June 1982:							
Integrated producers	6,357	6,661	(304)	225	(530)	(8.3)	104.8
Nonintegrated producers	488	500	(13)	25	(37)	(7.6)	102.5
Total/Average	6,845	7,161	(317)	250	(567)	(8.3)	104.6

1/ Less than .05 percent.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Note.--Because of rounding, figures may not add to the totals shown and percentages may not compute to the totals shown.

Table 12.--Profit-and-loss experience of 12 U.S. producers on their operations producing carbon steel wire rod, by types of firms, accounting years 1979-81, January-June 1981, and January-June 1982

Year and type of firm	Net sales	Cost of goods sold	Gross profit or (loss)	General, selling, and administrative expenses	Net operating profit or (loss)	Ratio of net operating profit or (loss) to net sales	Ratio of cost of goods sold to net sales
	Million dollars					Percent	
1979:							
Integrated producers	802.7	801.0	1.7	21.6	(19.9)	(2.5)	99.8
Nonintegrated producers	455.5	396.1	59.3	21.6	37.8	8.3	87.0
Total/Average	1,258.2	1,197.1	61.0	43.2	17.9	1.4	95.1
1980:							
Integrated producers	678.6	715.7	(37.1)	19.8	(56.8)	(8.4)	105.5
Nonintegrated producers	434.6	410.2	24.4	21.5	2.9	0.7	94.4
Total/Average	1,113.2	1,125.9	(12.6)	41.3	(53.9)	(4.8)	101.1
1981:							
Integrated producers	694.6	717.5	(22.9)	21.4	(44.3)	(6.4)	103.3
Nonintegrated producers	532.7	490.6	42.1	23.3	18.9	3.5	92.1
Total/Average	1,227.3	1,208.1	19.2	44.7	(25.5)	(2.1)	98.4
January-June 1981:							
Integrated producers	385.8	400.2	(14.3)	11.5	(25.8)	(6.7)	103.7
Nonintegrated producers	263.7	243.9	19.9	11.2	8.6	3.3	92.5
Total/Average	649.5	644.0	5.5	22.6	(17.2)	(2.6)	99.2
January-June 1982:							
Integrated producers	226.5	253.4	(26.9)	9.4	(36.2)	(16.0)	111.9
Nonintegrated producers	208.8	200.7	8.1	12.0	(4.0)	(1.9)	96.1
Total/Average	435.3	454.1	(18.8)	21.4	(40.2)	(9.2)	104.3

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Note.--Because of rounding, figures may not add to the totals shown and percentages may not compute to the totals shown.

Table 13.--Cash flow for 11 U.S. producers' operations producing carbon steel wire rod, by types of firms, accounting years 1979-81

(In thousands of dollars)

Item	1979	1980	1981
Integrated producers:			
Net operating profit or (loss)	6,598	(18,894)	(23,129)
Depreciation and amortization	11,397	12,282	13,905
Cash flow 1/	17,995	(6,612)	(9,224)
Nonintegrated producers:			
Net operating profit or (loss)	37,779	2,913	18,786
Depreciation and amortization	13,946	14,686	18,863
Cash flow	51,725	17,599	37,649
Total cash flow	69,720	10,987	28,425

1/ Cash flow is understated to the extent that 1 large producer did not supply depreciation and amortization data.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Investment in productive facilities.--Ten firms supplied data relative to their investment in productive facilities during 1979-81. The ten firms' investment, valued at cost, in facilities used in the production of carbon steel wire rod increased by $64 million during 1979-81 (table 14). The book value of such assets increased by $26 million. The relationship of operating profit or loss to investment in productive facilities, whether valued at original cost or book value, generally followed the same trend as did the ratio of such profits to net sales, that is, the ratios declined from a high in 1979 to a low in 1980, and recovered somewhat in 1981.

Table 14.--Investment in productive facilities by 10 U.S. producers of carbon steel wire rod, as of the end of accounting years 1979-81

Item	1979	1980	1981
Original cost--1,000 dollars	441,518	475,813	505,822
Book value--do	255,195	275,586	281,214
Operating profit or (loss)--do	43,294	(15,556)	(4,035)
Ratio of operating profit or (loss) to--			
Net sales--percent	5.1	(2.0)	(0.4)
Original cost--do	9.8	(3.3)	(0.8)
Book value--do	17.0	(5.6)	(1.4)

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Capital expenditures.--Fourteen firms supplied data relative to their expenditures during 1979-81 for land, buildings, machinery, and equipment used in the production of carbon steel wire rod. As shown in the following tabulation, their aggregate capital expenditures rose from $16 million in 1979 to $40 million in 1981:

	Capital expenditures (1,000 dollars)
1979	15,804
1980	37,747
1981	39,723

Research and development expenses.--Only six producers supplied research and development expenses relative to their carbon steel wire rod operations during 1979-81. Such expenses are presented in the following tabulation:

	Research and development expenses (1,000 dollars)
1979	***
1980	***
1981	***

The Question of Threat of Material Injury

U.S. importers' inventories

In January-June 1982, U.S. importers reported significant inventories of carbon steel wire rod only from Brazil. Inventories from all countries subject to these investigations, along with their ratio to imports of reporting firms, by countries, are shown in the following tabulation: 1/

Country	Inventories (short tons)	Ratio of inventories to imports (percent)
Belgium	***	***
Brazil	***	***
France	***	***
Venezuela	***	***
Total	***	***

1/ Complete data on importers' inventories during 1979-81, January-June 1981, and January-June 1982, are presented in table 6.

Capacity of foreign producers to generate exports and the availability of export markets other than the United States

Production of raw steel in Belgium, Brazil, France, and Venezuela totaled 53.9 million tons in 1981, or about 7 percent of total world production. Production of raw steel by country is shown in the following tabulation.

Country	Production 1/ (million tons)
Belgium	13.6
Brazil	14.6
France	23.5
Venezuela	2.2
Total	53.9

1/ Source: World Steel in Figures, 1982, International Iron & Steel Institute, 1982.

Belgium

Belgium was the 5th largest producer of raw steel in the European Community and the 15th largest in the world in 1981, with total production of 13.6 million tons. The Belgian steel industry has undergone consolidation and increased Government equity participation in recent years. As a result of an extensive consolidation of independent steel producers, the Belgian steel industry is now dominated by the integrated Cockerill-Sambre, which was formed in mid-1981 by a merger of Cockerill and Hainaut-Sambre, the nation's two largest steelmakers.

Cockerill-Sambre is the largest of the wire rod producers in Belgium, accounting for over half the wire rod production in 1981. The other Belgian producer of wire rod is Usines Gustave Boel, SA, a company which specializes in the manufacture of small diameter wire rod.

Production of carbon steel wire rod in Belgium declined throughout 1979-81 (table 15) from * * * tons in 1979 to * * * tons in 1981, or by 10 percent. Concurrently, the capacity of firms in Belgium to produce carbon steel wire rod increased from * * * million tons to * * * million tons, or by 10 percent. Thus, the capacity utilization of producers of carbon steel wire rod declined from * * * percent in 1979 to * * * percent in 1981. Total exports of carbon steel wire rod from Belgium accounted for an average of 41 percent of production and decreased from * * * tons in 1979 to * * * tons in 1980, and declined further to * * * tons in 1981. Exports of carbon steel wire rod to the United States accounted for 10 percent of total exports from Belgium in 1979, 4 percent in 1980, and 7 percent in 1981.

Table 15.--Carbon steel wire rod: Belgium's production, capacity, capacity utilization, and exports, 1979-81, January-June 1981, and January-June 1982

Item	1979	1980	1981	January-June--	
				1981	1982
Production					
1,000 short tons	***	***	***	1/	1/
Capacity----------do----	***	***	***	1/	1/
Capacity utilization percent	***	***	***	1/	1/
Exports to--					
United States-					
1,000 short tons	***	***	***	1/	1/
European Community					
Countries-----do----	***	***	***	1/	1/
All other countries do----	***	***	***	1/	1/
Total---------do----	***	***	***	1/	1/

1/ Not available.

Source: Compiled from data obtained from U.S. Embassy, Brussels.

Brazil

The Brazilian steel industry produced 14.6 million tons of raw steel in 1981, ranking 13th among world steel-producing countries. This represented a 14-percent decrease from production in 1980, when Brazil ranked 10th among world steel producers.

Although there are reportedly 14 firms in Brazil which produced carbon steel wire rod, 2 companies accounted for the bulk of the wire rod produced in 1981. These companies are COSIGUA and Belgo Mineira, 1/ with reported steel-making capacities of * * * and * * * tons per year, respectively.

The Brazilian Government has pursued a long-term policy of expansion of the Brazilian steel wire rod industry. Additional carbon steel wire rod productive capability is scheduled for 1982, when Siderurgica FI-EL and Mendes Junior will be expanding their capacities by 275,000 tons and 700,000 tons, respectively. 2/

Production of carbon steel wire rod in Brazil increased significantly in 1980, but declined in 1981 (table 16). Production increased from 1.3 million tons in 1979 to 1.7 million tons in 1980, or by 31 percent. However, production then declined to 1.4 million tons in 1981, or by 18 percent. The

1/ Belgo Mineira is wholly owned by the integrated Luxembourg steel producer ARBED.

2/ Metal Bulletin, Aug. 19 1980, and Department of Commerce, "Brazil Government Assistance to Plate Producers," Nov. 11, 1981.

Table 16.--Carbon steel wire rod: Brazil's production, capacity, capacity utilization, and exports, 1979-81, January-June 1981, and January-June 1982

Item	1979	1980	1981	January-June--	
				1981	1982
Production---					
1,000 short tons--	1,283	1,675	1,371	644	750
Capacity----------do----	1/	2,039	1,958	979	850
Capacity utilization					
percent--	1/	82.1	70.0	65.8	88.2
Exports to--					
United States-					
1,000 short tons--	3	0	50	37	26
All other countries					
do----	29	14	107	52	37
Total---------do----	32	14	157	89	63

1/ Not available.

Source: Compiled from data obtained from U.S. Embassy, Rio de Janeiro.

capacity of firms in Brazil to produce carbon steel wire rod declined slightly, by 4 percent from 1980 to 1981. The capacity utilization of producers in Brazil declined from 82 percent in 1980 to 70 percent in 1981. Total exports of wire rod from Brazil increased sharply in 1981, accounting for 11 percent of total Brazilian production. Exports to the United States accounted for 32 percent of total exports from Brazil in 1981.

France

France was the third largest producer of raw steel in the European Community (and seventh in the world) in 1981, with total production of 23.5 million tons in that year. France's steel industry has undergone continued consolidation and rationalization in recent years, with the result that it is now dominated by two major groups, Usinor and Sacilor, both of which produce carbon steel wire rod in their own facilities and through acquired subsidiaries. On November 27, 1981, both Usinor and Sacilor were nationalized by the French Government.

Of the two groups, Usinor is the larger, with a reported steelmaking capacity in 1981 of 12.5 million tons, which represents a 23-percent decline in such capacity from 1977. Usinor's capacity is projected to increase marginally in 1982, and then remain constant at about 12.9 million tons through 1984.

Sacilor maintained a reported steelmaking capacity of 4.4 million tons in 1981, which represents a 20-percent decline from that in 1977. Like Usinor,

Sacilor's capacity is projected to increase marginally by the end of 1982, then remain stable. Also like its counterpart, Sacilor will concentrate on closing down antiquated facilities and expanding and modernizing others, which should result in a more efficient, competitive steel group with a capacity equal to or slightly less then late-1970's levels.

Another major producer of wire rod in France is Normandie, which was formed by merger on Jan. 1, 1982, and on June 1, 1982, became owner of the steelmaking facilities known as Societe Metallurgique et Navale Dunkerque-Normandie. Normandie has a raw steelmaking capacity of 1.3 million tons, and produced over 500,000 tons of wire rod in 1981.

Normandie, formerly a private sector steelworks, has now come under joint control by Usinor and Sacilor, and although not legally merged, all three companies are to be directed by a coordinating committee of the French Government. 1/

Together, the Usinor--Sacilor-Normandie Group will constitute Europe's largest steel producer, with a combined raw steel capacity of over 18 million tons per year. The group will also rank as the largest European producer of wire rod, with an estimated 3.5 million tons of capacity in 1984 (or 16 percent of total European Community wire rod capacity). 2/

Production of carbon steel wire rod in France declined each year during 1979-81 from 2.9 million tons in 1979 to 2.6 million tons in 1981, or by 9 percent (table 17). The capacity to produce carbon steel wire rod in France has also declined--from 3.8 million tons in 1979 to 3.5 million tons in 1981, or by 8 percent. The capacity utilization of producers in France was 76 percent in 1981. Exports of carbon steel wire rod from France consistently accounted for about 40 percent of production in France. Exports from France declined from 1.2 million tons in 1979 to 1.0 million tons in 1981, or by 11 percent. Exports to the United States declined from 116,000 tons in 1979 to 95,000 tons in 1980 and remained the same in 1981. However, such exports increased sharply between January-June 1981 and January-June 1982. Exports of carbon steel wire rod to the United States accounted for 9 percent of total exports from France in 1981, and 11 percent of total exports in the January-June 1982.

1/ Metal Bulletin, "France Sets Up EEC's Biggest Steelmaker," Apr. 6, 1982.
2/ Ibid., "State May Control French Mills-EEC, Apr. 23, 1982.

Table 17.--Carbon steel wire rod: France's production, capacity, capacity utilization, and exports, 1979-81, January-June 1981, and January-June 1982

Item	1979	1980	1981	January-June--	
				1981	1982
Production---					
1,000 short tons--	2,899	2,797	2,647	1,294	1,253
Capacity----------do----	3,813	3,472	3,499	1,764	1,764
Capacity utilization					
percent--	76.0	80.6	75.6	73.4	71.0
Exports to--					
United States-					
1,000 short tons--	116	95	95	30	51
European Community					
Countries-----do----	566	583	580	1/	1/
All other countries					
do----	494	438	365	1/	1/
Total---------do----	1,175	1,116	1,040	530	458

Source: Compiled from data obtained from U.S. Embassy, Paris.

Venezuela

The Venezuelan steel industry produced 2.2 million tons of raw steel in 1981, which placed it 34th among the world's steel-producing countries. The only producer of carbon steel wire rod in Venezuela is the state-owned enterprise--SIDOR.

SIDOR'S recent "Plan IV" capacity expansion program is an element of Venezuela's industrialization program, which is built around a modern steel industry. By the end of the 1980's, the national plan envisages Venezuela as a heavy net exporter of raw steel and semifinished and finished products. 1/ For the present, however, SIDOR's capacity to produce wire rod is no more than 80 percent of Venezuela's requirements. 2/ Consequently, Venezuela remains a net importer of carbon steel wire rod.

SIDOR's production of carbon steel wire rod grew each year during 1979-81 (table 18), increasing from * * * tons in 1979 to * * * tons in 1981. Production capacity, on the other hand, has remained fairly stable, at about * * * tons. SIDOR's capacity utilization has increased from * * * percent in 1979 to * * * percent in 1981. Total exports from Venezuela declined from * * * tons in 1980 to * * * tons in 1981, or by 43 percent. In contrast, exports to the United States have increased significantly. However, counsel for SIDOR states that these exports consisted of a "one-time excess

1/ See transcript of the conference in the preliminary phase of this investigation, p. 149.

2/ Ibid.

Table 18.--Carbon steel wire rod: Venezuela's production, capacity, capacity utilization, and exports, 1979-81, January-June 1981, and January-June 1982

Item	1979	1980	1981	January-June--	
				1981	1982
Production---					
1,000 short tons--	***	***	***	***	***
Capacity----------do----	***	***	***	***	***
Capacity utilization percent--	***	***	***	***	***
Exports to--					
United States-					
1,000 short tons--	***	***	***	***	***
All other countries do----	***	***	***	***	***
Total---------do----	***	***	***	***	***

1/ Not available.

Source: Compiled from data obtained from the U.S. Embassy, Caracas.

inventory disposal created through extraordinary sales by foreign producers into Venezuela" and further that "SIDOR has no intention or capability of selling wire rod to any user which may import it into the United States in the range of the foreseeable future." 1/

The Question of the Causal Relationship Between Subsidized or Dumped Imports and the Alleged Injury

U.S. imports

The quantity of U.S. imports of carbon steel wire rod from all sources declined from 1979 to 1980, but increased in 1981 (table 19). U.S. imports declined slightly from 375,928 tons in January-June 1981 to 373,105 tons in the first half of 1982. The value of total U.S. imports followed a similar trend, although the increase in 1981 was relatively greater. The total value of U.S. imports increased from $260 million in 1979 to $264 million in 1981, or by 1.3 percent. The value of imports in January-June 1982 was 1.2 percent below that in January-June 1981.

1/ See letter addressed to Chairman Alberger dated Mar. 2, 1982.

Table 19.--Carbon steel wire rod: U.S. imports for consumption, by principal sources, 1979-81, January-June 1981, and January-June 1982

Source	1979	1980	1981	January-June--	
				1981	1982
	Quantity (short tons)				
Canada	310,572	355,583	314,599	199,315	119,599
Japan	264,103	198,055	167,390	68,143	68,668
France	98,267	93,138	101,921	44,291	58,290
Brazil	33	0	32,579	0	69,199
United Kingdom	10,678	711	29,089	6,389	5,388
Venezuela	0	4,461	25,443	21,026	0
Belgium	30,697	20,012	21,547	11,589	6,703
Argentina	0	0	21,167	0	6,761
Republic of South Africa	13,503	17,642	17,991	17,337	1,470
All other	90,945	40,300	29,008	7,838	37,027
Total	818,799	729,902	760,734	375,928	373,105
	Value (1,000 dollars) 1/				
Canada	91,191	109,203	102,351	65,119	40,014
Japan	92,566	71,194	67,668	26,901	27,454
France	30,525	28,387	33,357	14,154	18,224
Brazil	10	-	10,553	0	21,757
United Kingdom	3,754	289	11,875	2,908	2,499
Venezuela	-	1,445	7,986	6,728	0
Belgium	9,141	6,014	6,749	3,572	2,187
Argentina	-	-	7,063	-	1,680
Republic of South Africa	4,167	5,614	5,959	5,705	603
All other	28,723	13,301	10,003	2,967	12,077
Total	260,079	235,447	263,564	128,054	126,495

See footnotes at end of table.

Table 19.--Carbon steel wire rod: U.S. imports for consumption, by principal sources, 1979-81, January-June 1981, and January-June 1982--Continued

Source	1979	1980	1981	January-June--	
				1981	1982
	Unit value (per short ton)				
Canada	$294	$307	$325	$327	$335
Japan	350	359	404	395	400
France	311	305	327	320	313
Brazil	307	-	324	-	314
United Kingdom	352	407	408	455	464
Venezuela	-	324	314	320	-
Belgium	298	301	313	308	326
Argentina	-	-	334	-	248
Republic of South Africa	309	318	331	329	410
All other	316	330	345	378	326
Average	318	323	346	341	339
	Percent of total quantity				
Canada	37.9	48.7	41.4	53.0	32.1
Japan	32.3	27.1	22.0	18.2	18.4
France	12.0	12.8	13.4	11.8	15.6
Brazil	2/	-	4.3	-	18.5
United Kingdom	1.3	.1	3.8	1.7	1.4
Venezuela	-	.6	3.3	5.6	-
Belgium	3.7	2.7	2.8	3.1	1.8
Argentina	-	-	2.8	-	1.8
Republic of South Africa	1.6	2.4	2.4	4.6	.4
All other	11.1	5.5	3.8	2.1	9.9
Total	100.0	100.0	100.0	100.0	100.0

1/ Landed, duty-paid value.
2/ Less than 0.05 percent.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note. Because of rounding, figures may not add to the totals shown.

Imports of carbon steel wire rod from Belgium declined from 30,697 tons in 1979 to 21,547, tons in 1981, and fell even further, from 11,589 tons in January-June 1981 to 6,703 tons in January-June 1982. Imports of carbon steel wire rod from Belgium have comprised less than 4 percent of imports from all countries during the period under investigation.

Imports of carbon steel wire rod from Brazil have been sporadic, reported only in 1979, July-December 1981, and January-June 1982. During these periods, such imports comprised less than 0.05 percent, 4.3 percent, and 18.5 percent of total imports, respectively.

Imports of carbon steel wire rod from France increased as a share of total U.S. imports from 12 percent in 1979 to 15.6 percent in January-June 1982. Imports from France increased from 98,267 tons in 1979 to 101,921 tons in 1981, or by 3.7 percent, and then increased by 31.6 percent from January-June 1981 to the corresponding period of 1982.

No imports of carbon steel wire rod were reported from Venezuela in 1979. However, imports from Venezuela increased from 4,461 tons in 1980 to 25,443 tons in 1981. Imports from Venezuela accounted for 0.6 percent of total U.S. imports in 1980 and 3.3 percent in 1981. No imports from Venezuela were reported for January-June 1982.

On a cumulated basis, imports from the four countries subject to the Commission's investigation increased from 1979 to 1981 by 40.7 percent. Such imports increased by 74.5 percent between January-June 1981 and January-June 1982 (table 20).

Monthly imports from Belgium, Brazil, France, and Venezuela have been cumulated and are shown in figure 2 for 1981 and the first half of 1982. Imports from the cited countries in 1982 were greater than imports reported in 1981 in four out of six months.

Market penetration of imports

As a share of total apparent U.S. consumption (including captive consumption), U.S. imports of carbon steel wire rod from all sources increased from 13.3 percent in 1979 to 17.6 percent in January-June 1982 (table 20). As a share of apparent U.S. noncaptive consumption, such imports increased during the same period from 23.0 to 26.8 percent.

Imports of carbon steel wire rod from Belgium declined both as a share of apparent U.S. consumption and as a share of apparent U.S. noncaptive consumption during 1979-81. Imports from Belgium accounted for 0.5 percent of U.S. consumption in 1979 and 0.3 percent in January-June 1982.

Imports of carbon steel wire rod from Brazil were insignificant or nonexistent in 1979 and 1980. In 1981, imports from Brazil accounted for 0.6 percent of apparent U.S. consumption and 0.9 percent of apparent U.S. noncaptive consumption; this figure rose to 3.3 percent of U.S. consumption and 5.0 percent of noncaptive consumption in January-June 1982.

Table 20.--Carbon steel wire rod: U.S. imports for consumption by selected sources, 1979-81, January-June 1981, and January-June 1982

Source	1979	1980	1981	January-June--	
				1981	1982
	Quantity (short tons)				
Belgium	30,697	20,012	21,547	11,589	6,703
Brazil	33	0	32,579	0	69,199
France	98,267	93,138	101,921	44,291	58,290
Venezuela	0	4,461	25,443	21,026	0
Subtotal	128,997	117,611	181,490	76,906	134,192
Argentina	0	0	21,167	0	6,761
Republic of South Africa	13,503	17,642	17,991	17,337	1,470
Subtotal	142,500	135,253	220,648	94,243	142,423
All other	676,299	594,649	540,085	281,685	230,682
Total	818,799	729,902	760,734	375,928	373,105
	Ratio of imports to apparent U.S. consumption (percent)				
Belgium	0.5	0.4	0.4	0.4	0.3
Brazil	1/	-	0.6	-	3.3
France	1.6	1.9	1.9	1.5	2.7
Venezuela	-	.1	.5	.7	-
Subtotal	2.1	2.3	3.3	2.6	6.3
Argentina	-	-	.4	-	0.3
Republic of South Africa	.2	.4	.4	.6	0.1
Subtotal	2.3	2.7	4.1	3.2	6.7
All other	10.9	11.8	9.9	9.5	10.9
Total	13.3	14.5	14.0	12.6	17.6

See footnote at end of table.

Table 20.--Carbon steel wire rod: U.S. imports for consumption by selected sources, 1979-81, January-June 1981, and January-June 1982--Continued

Source	1979	1980	1981	January-June--	
				1981	1982
	Ratio of imports to apparent U.S. non-captive consumption (percent)				
Belgium	0.9	0.6	0.6	0.6	0.5
Brazil	1/	-	.9	-	5.0
France	2.8	2.9	2.9	2.3	4.2
Venezuela	-	.1	.7	1.1	-
Subtotal	3.6	3.6	5.1	4.0	9.7
Argentina	-	-	0.6	-	.5
Republic of South Africa	.4	.5	.5	.9	.1
Subtotal	4.0	4.2	6.2	5.0	10.2
All other	19.0	18.3	15.2	14.8	16.6
Total	23.0	22.4	21.4	19.8	26.8

1/ Less than 0.05 percent.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission, official statistics of the U.S. Department of Commerce, and AISI data.

Note.--Because of rounding, figures may not add to the totals shown.

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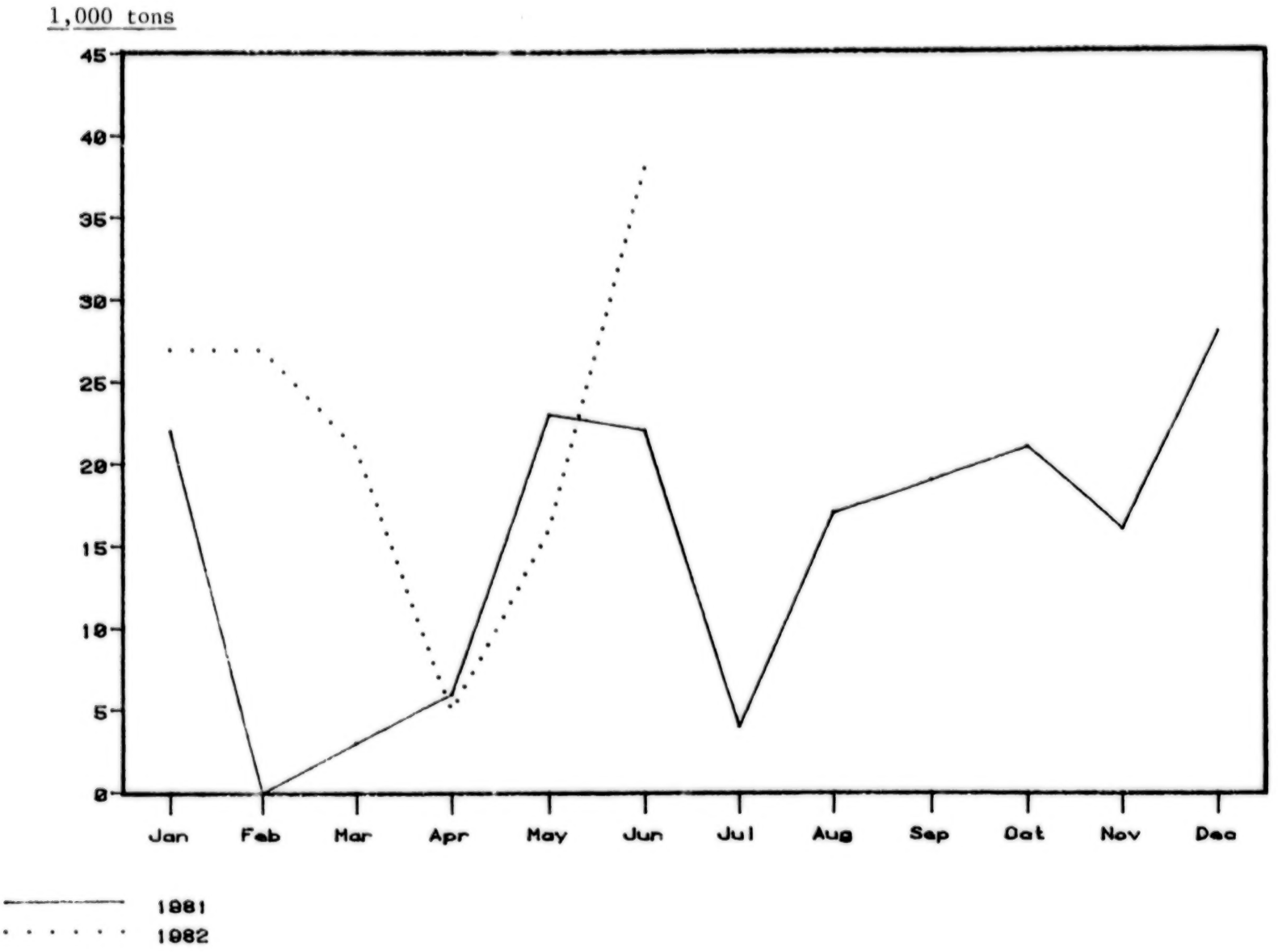
Figure 2.-- Carbon steel wire rod: U.S. imports for consumption from selected sources, by months, January 1981-June 1982



Source: Data compiled from official statistics of the U.S. Department of Commerce.

Imports of carbon steel wire rod from France increased their share of apparent U.S. consumption and apparent U.S. noncaptive consumption from 1979 to January-June 1982. As a share of total apparent U.S. consumption, imports from France increased from 1.6 percent in 1979 to 1.9 percent in 1981. As a share of apparent U.S. noncaptive consumption, imports from France increased from 2.8 percent in 1979 to 2.9 percent in 1981. In 1981, subsidized French imports comprised 0.8 percent of total apparent U.S. consumption and 1.3 percent of apparent U.S. noncaptive consumption. In January-June 1982, subsidized French imports accounted for 2.2 percent of total apparent U.S. consumption and 3.3 percent of apparent U.S. noncaptive consumption.

Imports of carbon steel wire rod from Venezuela increased as a share of both apparent U.S. consumption and apparent U.S. noncaptive consumption during 1979-81. There have been no imports of carbon steel wire rod from Venezuela since 1981.

On a cumulated basis, imports of carbon steel wire rod from all four countries increased their U.S. market penetration each year during 1979-81, both as a share of total apparent U.S. consumption (2.1 percent in 1979 to 3.3 percent in 1981), and as a share of apparent noncaptive consumption (3.6 percent to 5.1 percent).

Monthly data on U.S. producers' net shipments and on U.S. imports from selected sources are presented together in figure 3. "Selected sources" represent the aggregated imports from Belgium, Brazil, France, and Venezuela. "Net shipments" represents U.S. producers' net shipments as reported by AISI. Figure 4 illustrates the same data presented on a quarterly basis, but additionally includes data for imports from all countries.

Prices

Demand for carbon steel wire rod is dependent on the demand for wire and wire products drawn or fabricated from the rod. Such products include fencing, wire reinforcing mesh, welding rod, nails, bolts, springs, and other articles used in construction and manufacturing. Demand for many of these articles has been adversely affected by the recessionary period that began in the last half of 1981. It is reported that, although all geographical areas have not suffered either simultaneously or to an equal extent from the recession, even once thriving markets have more recently shown declines in demand for wire rod products. Wire drawers report that their sales have declined since July-September 1981 by as much as 50 percent and that both they and their customers are experiencing increased competition from foreign suppliers of wire and wire products. 1/ Accordingly, there is increased competition for the lower volume of business at all levels of distribution and increasing downward pressure on transaction prices of wire rod.

1/ See "Lost Sales" section of this report.

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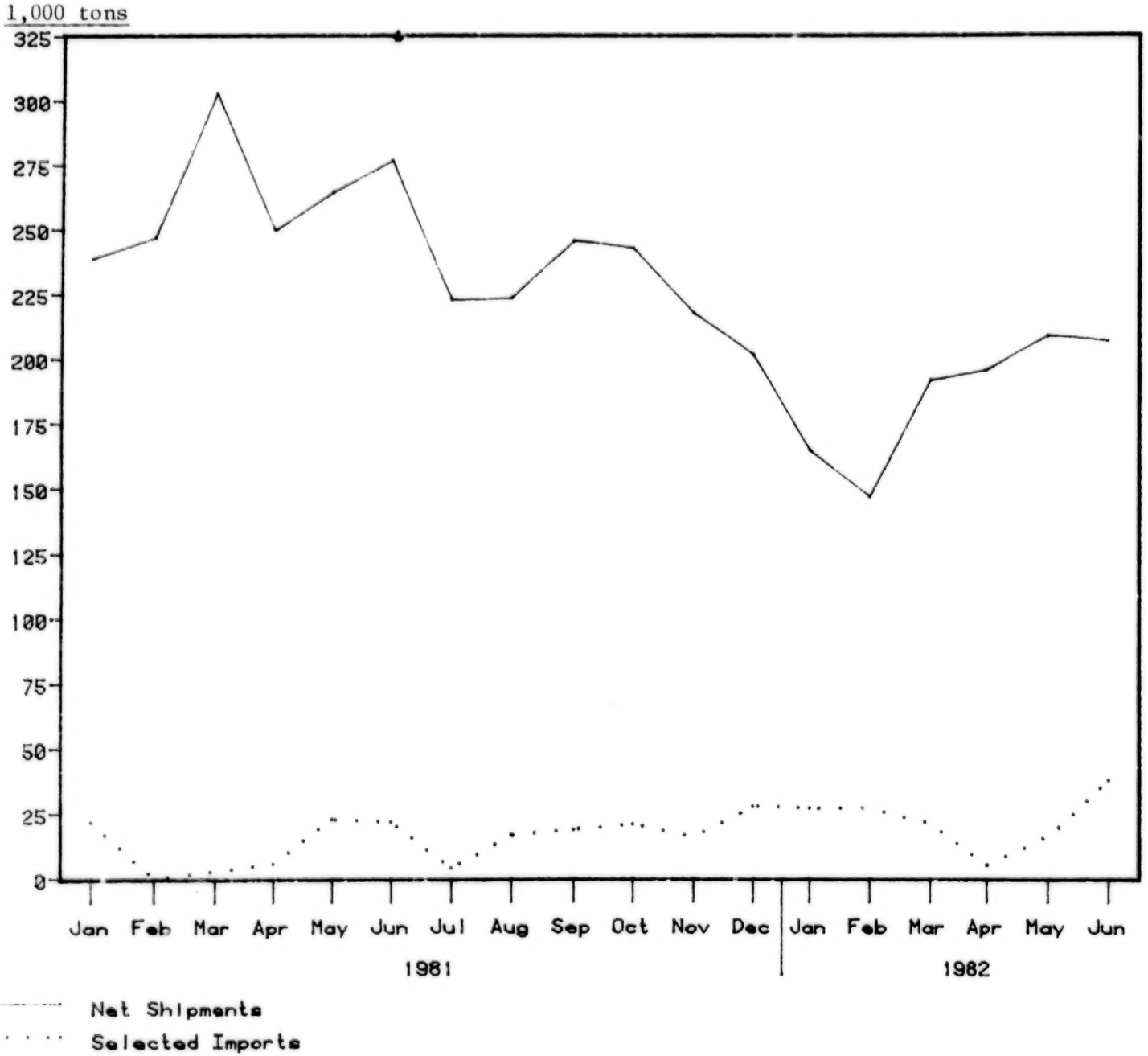
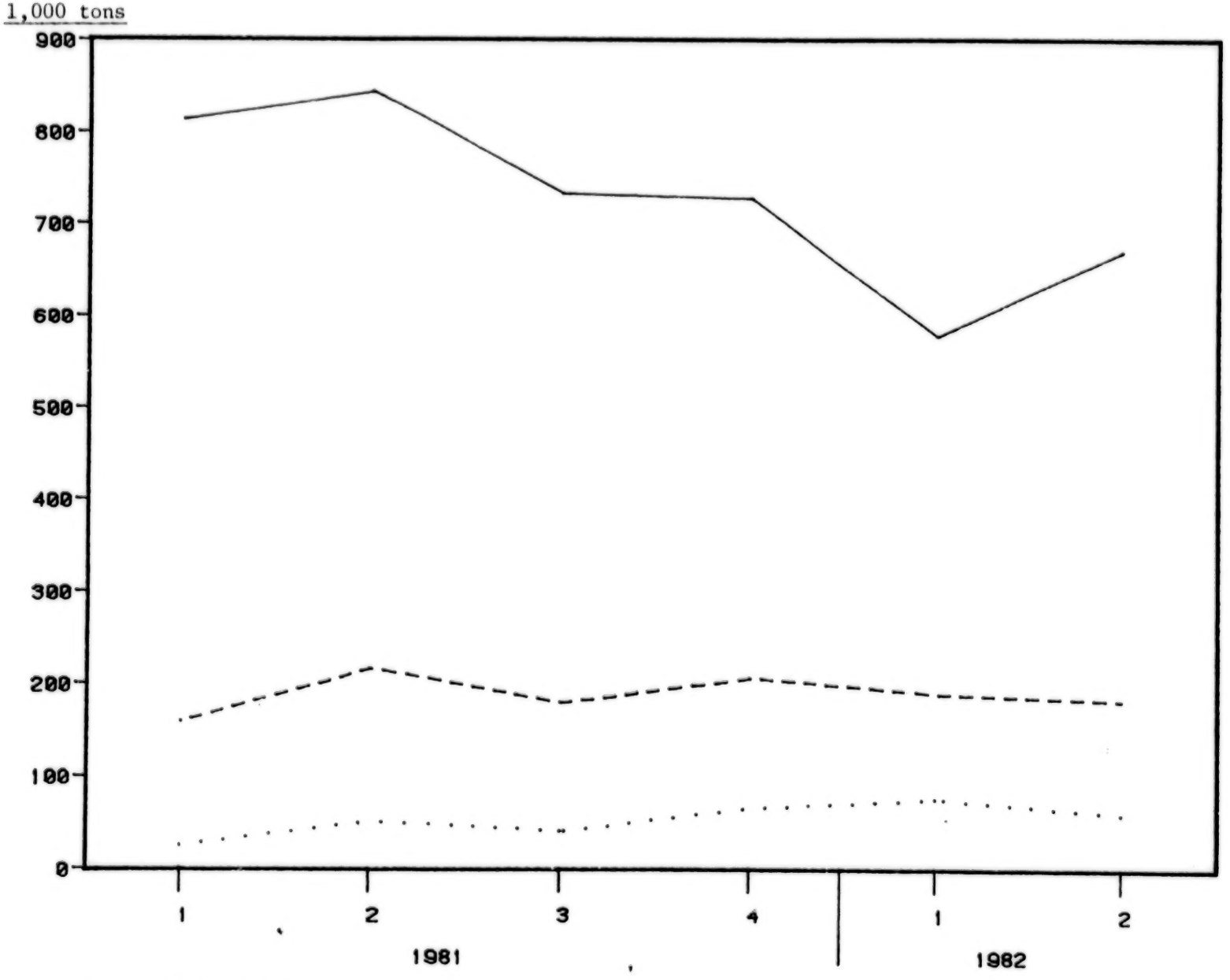
Figure 3.--Carbon steel wire rod: U.S. producers' net shipments and imports from selected sources, by months, January 1981-June 1982



Source: Compiled from official statistics of the U.S. Department of Commerce, and from data of the American Iron and Steel Institute.

Figure 4.--Carbon steel wire rod: U.S. producers' net shipments and imports from selected sources and from all sources, by quarters, January 1981-June 1982



Source: Compiled from official statistics of the U.S. Department of Commerce, and from data of the American Iron and Steel Institute.

Prices of wire rod are generally quoted by producers based on established list prices. Such prices are calculated from a base price set for a particular standard type and quality rod with additional charges for different carbon content, temper, surface characteristics, impurity level, or other physical and chemical specifications. 1/ Such extra charges are generally based on the cost of producing wire rod to meet customer requirements. It is reported by producers that in times of more intense competition the premiums attached to the extra processing are often subject to negotiation in any sales arrangement, resulting in downward price adjustment. Producers state that, beginning in late 1981 and continuing into 1982, wire rod falling within wide ranges of specifications has been sold for essentially the same price owing to competition for fewer orders in the marketplace. Producers allege that a significant portion of this competition results from offerings in U.S. markets of wire rod originating in the countries subject to these investigations.

Transaction prices of wire rod are also affected by the relative location of suppliers to their customers. Freight costs are generally charged to the customer's account, or are paid directly by the customer. However, it is common, particularly during periods of slack demand, for producers to offer allowances for certain freight costs. This practice, known as freight equalization, provides that a customer will pay no more for shipping wire rod from his actual supplier than he would for shipping from his closest potential supplier. The difference between the actual freight charges and the equalized charges is absorbed by the supplier. This practice, although not necessarily affecting delivered costs to the customer, may significantly reduce the net return realized by the producer of the wire rod. Accordingly, profits from sales made to a distant customer located close to a competing producer may be small or nonexistent. For these reasons, in periods of high demand producers may choose not to seek orders from distant customers, whereas in periods of slack demand such low margin sales may be desirable in order to minimize costs per unit of production or to avoid shutting down a production line.

Since January 1979, the Producer Price Index for low-carbon steel wire rod 2/ has increased by about 40 percent. Although the index shows similar price increases from yearend to yearend, the index remained relatively constant from July 1981 to June 1982, indicating some moderation in increases in list prices coinciding with declining demand during this recent period. During January 1979-December 1981 the trigger price applicable to imports of standard quality carbon steel wire rod increased by 22 percent, as shown in the following tabulation (January-March 1979=100.0):

1/ Certain of these characteristics are a function of the method by which the steel is produced as noted in the description and uses section of this report.

2/ The Producer Price Index of the U.S. Bureau of Labor Statistics is based on reported list prices of standard quality, AISI designation 1008, hot-rolled carbon steel wire rod, 7/32 inch in diameter, in coils, in quantities of 20 net tons or more, f.o.b. mill to customer.

Period	Producer Price Index	Trigger-price index
1979:		
January-March	100.0	100
April-June	108.3	100
July-September	110.1	99
October-December	109.7	99
1980:		
January-March	114.7	103
April-June	118.0	1/
July-September	118.7	1/
October-December	123.6	116
1981:		
January-March	129.8	117
April-June	129.6	122
July-September	139.0	122
October-December	139.2	122
1982:		
January-March	139.6	1/
April-June	139.5	1/

1/ No trigger price was in effect during this period.

The Commission requested data from U.S. producers and importers on prices of five product categories of carbon steel wire rod. Domestic producers provided weighted average prices realized f.o.b. their mill, net of all shipping or other allowances; importers provided weighted average prices f.o.b. their shipping point in the United States (generally landed, duty-paid at the port of entry). Price data for two of the product categories (those with the best data for analysis) are discussed below; indexes of prices for the other three product categories are presented in appendix tables E-1 through E-3. Price data received from importers of wire rod from Brazil and Venezuela were insufficient to construct indexes.

Standard quality low-carbon steel wire rod accounts for the largest share of both U.S. production and of imports, and is generally considered by the industry to be fungible for most applications. Parties to the investigations agreed that the most intense price competition is found in wire rod fitting this description. 1/ The Commission requested price data on small diameter (7/32 inch to 27/64 inch) rod, AISI designation 1008.

Average net prices for small diameter standard quality wire rod reported by both integrated and nonintegrated producers followed similar trends from January 1980 through June 1982, ending at a lower level than in January 1980. Prices reported by integrated producers generally showed smaller declines and larger increases than those of nonintegrated producers (table 21). Integrated producers' prices declined by 2.6 percent in late 1980 but increased by 10.1 percent in 1981. Prices then declined by 9.5 percent during January-June 1982

1/ Purchasers responding to the Commission's questionnaires overwhelmingly rated price as their most important consideration. Quality was frequently rated high in importance but only occasionally above price.

to a level 3.2 percent below that of January-March 1980. Prices reported by nonintegrated producers declined by 11.2 percent in July-September 1980 but recovered through early 1981 to about the level of January-March 1980. Net prices declined irregularly after June 1981, and in April-June 1982 were 5.9 percent below the level of early 1980.

Net prices of small diameter standard quality wire rod imported from Belgium and from France also both declined in July-December 1980, followed by increases in 1981. Although prices declined in late 1981 or early 1982, they finished the period well above the level of January-March 1980 (table 21). In October-December 1981 prices of wire rod from Belgium reached a peak 27 percent above the level of January-June 1980 before declining by 8.4 percent by April-June 1982. Prices of wire rod from France peaked in January-March 1981 at 31.9 percent above the level of a year earlier, but then declined by year-end to a level 3.7 percent below that of early 1980. Prices of imports from France then increased by 8 percent in January-March 1982, and again by 14.6 percent in April-June 1982.

Table 21.--Carbon steel wire rod: Indexes of weighted average prices of low-carbon steel wire rod, 1/ 7/32 to 27/64 inch in diameter, realized by U.S. producers and by importers of wire rod from Belgium and France, 2/ by quarters, January 1980-June 1982

(January-March 1980 = 100.0)

Period	U.S. producers		Belgium	France
	Integrated	Non-integrated		
1980:				
January-March	100.0	100.0	100.0	100.0
April-June	98.9	100.9	108.0	115.4
July-September	97.7	89.8	97.7	110.0
October-December	97.4	92.4	93.3	97.2
1981:				
January-March	103.8	98.2	116.3	131.9
April-June	105.5	99.7	103.4	112.6
July-September	106.6	98.2	118.2	112.9
October-December	107.2	94.9	127.2	96.3
1982:				
January-March	98.6	97.4	124.3	104.0
April-June	96.8	94.1	116.5	119.2

1/ Standard quality wire rod, AISI specification C-1008.

2/ Data insufficient to construct indexes for prices of wire rod imported from Brazil and Venezuela.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Weighted average net prices of the remaining four product categories for which data were requested followed trends which were similar in some respects to those of standard quality wire rod prices; these prices showed declines in the latter part of 1980, increased in 1981 to levels at or above those of early 1980, and declined somewhat in 1982. However, the changes which occurred were not of the same magnitude for integrated producers as those for nonintegrated producers (table 22 and appendix tables E-1 through E-3). In each of the four categories, integrated producers' prices in April-June 1982 were higher than those of 1980 (by an average of 13 percent), although slightly below the peak prices prevailing in 1981. Average net prices reported by nonintegrated producers, however, increased in 1981 but did not generally exceed the level of January-March 1980, and were lower in April-June 1982 than in most of the earlier periods covered by these investigations.

Importers of wire rod from France reported prices for only two of these four products; no prices were reported for sales of any of these four products by importers of Belgian, Brazilian, or Venezuelan wire rod. Average prices of French welding quality wire rod and of French high-carbon wire rod declined in the last half of 1980, but have remained above the January-March 1980 level throughout 1981-82, and were 10.6 percent higher in April-June 1982. 1/

The Commission requested purchasers 2/ of U.S.-produced and imported carbon steel wire rod to provide information on prices paid for wire rod, including all costs associated with the delivery of the product to the purchaser's plant. Thirty-four purchasers provided usable data, 3/ of which the majority reported that their most common purchases were of low-carbon steel (1008) standard quality wire rod with a diameter between 7/32 inch and 27/64 inch. 4/ Prices of domestically produced wire rod included those paid for purchases from both integrated and nonintegrated producers. Weighted average prices reported are shown in table 23.

1/ Fluctuations in these averages are to some degree caused by changes in product mix. Because of the smaller quantities of imports in these categories such changes have a relatively greater effect on the price index than occurs with the price index for U.S.-produced wire rod.

2/ The purchasers to whom questionnaires were sent were chosen from documents submitted by the petitioners.

3/ These 34 firms reported total purchases of wire rod from all sources accounting for at least 17.9 percent of total U.S. apparent consumption (27.5 percent of non-captive consumption) in 1981-82.

4/ Petitioners have emphasized that this is the product most affected by import competition and most purchasers named by them in documents use wire rod of this type. Purchasers did not provide sufficient data on delivered prices of other products to allow meaningful comparisons.

Table 22.--Carbon steel wire rod: Indexes of weighted average prices of carbon steel wire rod other than small-diameter low carbon wire rod 1/ realized by U.S. producers and by importers of wire rod from France, 2/ by quarters, January 1980-June 1982

(January-March 1980 = 100.0)

Period	U.S. producers		France
	Integrated	Non-integrated	
1980:			
January-March	100.0	100.0	100.0
April-June	102.1	100.6	114.3
July-September	99.8	90.0	100.4
October-December	98.5	95.0	93.3
1981:			
January-March	106.8	99.3	107.1
April-June	106.6	100.5	110.9
July-September	115.5	99.3	118.7
October-December	116.5	98.4	104.5
1982:			
January-March	114.5	98.3	112.0
April-June	112.8	91.8	110.6

1/ Large diameter 1008, welding quality medium-high carbon (1025 to 1040), and high carbon (1045 to 1085).

2/ Includes only welding quality and high-carbon wire rod imported from France. No sales were reported of these products imported from Belgium, Brazil, or Venezuela.

Source: Compiled from data received in response to questionnaires of the U.S. International Trade Commission.

Delivered prices reported by purchasers of U.S.-produced wire rod generally followed a trend similar to that found for net prices reported by U.S. producers. The average price of domestic wire rod in January-March 1980 was $16.88 per hundredweight. Prices declined by 5.9 percent from April 1980 through December 1980, and at year-end the average price was $15.88 per hundredweight. Average delivered prices increased in 1981 and remained relatively stable at about $16.50 per hundredweight from April through December of that year. However, delivered prices declined by 4.1 percent in January-March 1982 and again by 4.0 percent in April-June, reaching $15.13 in that quarter, 10.4 percent below the average price at the beginning of 1980.

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Table 23.--Carbon steel wire rod: Weighted average delivered prices paid by purchasers of standard quality low-carbon steel wire rod 1/ produced in the United States and imported from Belgium, Brazil, France, and Venezuela, by quarters, January 1980-June 1982.

(Per hundredweight)

Period	U.S.-produced wire rod		Wire rod imported from			
	all responding purchasers	selected purchasers 2/	Belgium	Brazil	France	Venezuela
1980:						
January-March	$16.88	$17.20	***	3/	***	3/
April-June	16.70	16.76	***	3/	***	3/
July-September	16.20	16.29	***	3/	***	3/
October-December	15.88	16.10	***	3/	***	3/
1981:						
January-March	16.18	16.90	***	3/	***	***
April-June	16.57	17.04	***	3/	***	***
July-September	16.53	17.37	***	***	***	3/
October-December	16.43	16.95	***	***	***	3/
1982:						
January-March	15.76	15.44	***	***	***	3/
April-June	15.13	15.25	***	***	***	3/

1/ Standard quality wire rod, AISI designation 1008.

2/ Furchasers reporting prices of both U.S.-produced wire rod and rod imported from at least one country subject to these investigations.

3/ No prices reported.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Purchasers reported delivered prices for imports of wire rod from Belgium exceeding 100 percent of official imports from January 1981 to June 1982. 1/ Delivered prices of wire rod imported from Belgium fluctuated considerably during the period for which data are available, but followed the pattern of U.S. prices overall. During 1980 prices were generally near * * * per hundredweight, increasing slowly to almost * * * by the end of 1981. Prices declined to * * * in January-March 1982 and fell sharply to * * * in April-June 1982, owing primarily to a single large purchase in the Houston region. 2/ The average delivered prices were higher than those of U.S.-produced wire rod in every period covered by the data.

Purchasers reported prices on imports accounting for 32 percent of total imports from Brazil from January 1981 through June 1982. Delivered prices of wire rod imported from Brazil declined in each of the four quarters of 1981-82 for which purchases were reported. An average of * * * per hundredweight was paid in July-September 1981, declining to * * * per hundredweight in October-December. Prices of Brazilian rod declined to * * * in January-March 1982 and to * * * in April-June 1982. The decline in prices from July 1981 through June 1982 was 11.5 percent. Only in January-March 1982 did the average delivered price paid for imports from Brazil decline below that paid for domestically produced wire rod. This price, * * * per hundredweight, was * * * percent below the price of the domestic product in the same period.

Purchasers reported prices of imports accounting for 38 percent of total imports from France during January 1981-June 1982. Delivered prices for standard quality wire rod imported from France generally increased from * * * per hundredweight in January-March 1980 to * * * per hundredweight in April-June 1981. Prices reported by purchasers declined by 10.3 percent in July-December 1981 to * * *, recovered slightly in January-March 1982, but declined to * * * per hundredweight in April-June 1982. In every period covered by the data, average prices paid for wire rod from France were higher than those paid for U.S.-produced wire rod in the same quarter.

Only two purchasers reported buying wire rod produced in Venezuela. These purchases, accounting for about 63 percent of all known imports from that country, were made in January-March and April-June 1981 at delivered prices of * * * and * * * per hundredweight, respectively. These prices exceeded the average price of U.S.-produced wire rod in those periods.

As discussed above, only one instance of underselling was found in comparing the weighted-average delivered price of U.S.-produced wire rod with that paid for imports from the four countries covered by these investigations. However, 11 of the purchasers from whom questionnaires were received did not report having purchased any imports from these countries, 3/ suggesting that prices of imports to those customers may not have been competitive because of

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1/ It is possible that some of these were imports officially recorded in 1980, but not delivered to customers until 1981.

2/ * * *.

3/ These 11 purchasers accounted for 50.5 percent of total wire rod consumption by the 34 firms responding to the Commission's questionnaire.

considerations such as transportation, quality, delivery time, or other factors. Accordingly, an additional weighted average was constructed using data on delivered prices of U.S.-produced wire rod for only those customers who reported buying both imported and domestically produced wire rod. This series is also shown in table 23.

In general, the average prices paid for U.S.-produced wire rod by purchasers of both imports and domestic rod followed the same trends as those paid by all purchasers. However, with only one exception, prices paid by this group of purchasers were higher than the average delivered price of the U.S. product to all purchasers. This pattern may indicate that purchasers who bought imported wire rod were those who had received prices from U.S. producers less attractive than the average of all purchasers. In addition, the average price paid by this group for wire rod imported from Brazil was below that of U.S.-produced rod in both July-September and October-December 1981. The margins of underselling in these instances were * * * and * * * percent, respectively.

Petitioners argued at the public hearing that, when imports are competing for customers in a given market, the offering price of imports in one period (for delivery three months later) is the price against which domestic producers must bid for delivery in the current period. The problem, according to petitioners, occurs because customers may avail themselves of the "cancel option" on purchases of domestic wire rod until the date the rod is actually shipped. As a result, the current import offering price for future delivery may be used by customers to negotiate lower prices for domestic wire rod until shipment is made, despite prices which may have been agreed upon earlier. Petitioners observed that the prices provided to the Commission reflect the time of delivery rather than the time of the offer. Petitioners believe that the Commission should compare prices of U.S.-produced wire rod in a given period with prices of imports delivered in the following calendar quarter.

When comparisons are made according to the procedure proposed by the petitioners, instances of underselling are found for wire rod from Brazil and France; 1/ no underselling is found, however, for wire rod from Belgium or Venezuela. Prices of wire rod imported from Brazil and reported in January-March and April-June 1982 were * * * and * * * percent, respectively, below the average price reported by all purchasers for U.S.-produced wire rod in the preceding periods. Additionally, when the prices reported by the smaller selected group of purchasers are compared under the petitioners' proposal, imports from Brazil undersold domestic wire rod from October 1981 through June 1982 by margins between * * * and * * * percent, and imports from France undersold the domestic product by * * * percent in October-December 1981.

1/ This comparison may introduce bias into the determination of margins of underselling when prices are declining owing to general economic conditions or other nonimport related factors. This bias occurs because the price of the imported product, as well as that of the domestic product, under those conditions usually will be lower in succeeding periods.

The following tabulation shows indexes for the fluctuation in exchange rates relative to the U.S. dollar for the currencies of the four countries whose wire rod exports are subject to these investigations, (January-March 1979=100.0):

Period	Belgium (franc)	Brazil (cruzeiro)	France (franc)	Venezuela (bolivar)
1979:				
January-March	100.0	100.0	100.0	100.0
April-June	96.7	89.4	97.6	100.0
July-September	100.6	80.4	100.8	100.0
October-December	102.4	64.5	103.1	100.0
1980:				
January-March	101.7	48.7	102.9	100.0
April-June	100.8	44.0	101.3	100.0
July-September	103.0	40.1	103.6	100.0
October-December	95.4	35.8	96.5	100.0
1981:				
January-March	86.6	31.0	87.8	100.0
April-June	78.8	26.2	78.8	100.0
July-September	73.6	22.0	73.5	100.0
October-December	77.6	18.6	75.5	100.0
1982:				
January-March	70.6	15.9	71.2	100.0
April-June	65.1	13.7	68.0	100.0

Source: Compiled from official statistics of the International Monetary Fund.

With the exception of the Venezuelan bolivar, which maintained its official value relative to the dollar, each of these currencies declined in value against the U.S. dollar. The most severe depreciation occurred with respect to the Brazilian cruzeiro. By the second quarter of 1981, the cruzeiro had declined in value by 86.3 percent. The two European currencies had appreciated relative to the U.S. dollar through January-September 1980 but reversed this trend by the final quarter. The value of the French franc had declined in April-June 1982 by 32.0 percent from its value in early 1979; the Belgian franc had declined in value by 34.9 percent during the same period.

Lost sales

Only 6 of the 14 producers who responded to the Commission's questionnaries provided usable information concerning sales lost to the cited imports for the period January 1980-June 1982. The producers who provided lost sales information were generally the larger nonintegrated producers, although two integrated producers also provided lost sales allegations. The aggregate lost sales information therefore concentrated on imports of carbon steel wire rod from Brazil since the primary imports from Brazil are low-carbon wire rod--the mainstay of the larger nonintegrated producers. Lost-sales allegations totaled approximately 182,750 tons.

The Commission staff investigated * * * of these claims and found price to be a major reason for purchasing the imported product in * * * of the allegations which were confirmed. The following tabulation shows the total allegations submitted, the number checked, and the number confirmed because of price:

	Total allegations made	Total allegations checked	Total allegations confirmed	Instances in which price cited as major reason
Belgium	4	4	2	2
Brazil	27	25	20	14
France	9	8	3	2
Venezuela	3	3	***	***
Total	43	40	***	***

All of these allegations involved low-carbon, industrial-quality wire rod, regardless of the country cited. The majority of the lost sales both alleged and verified involved companies located in the Gulf area--mainly the Houston area. Many of the purchasing firms in the Gulf area have long-standing traditions of purchasing imported carbon steel wire rod. It should be noted that the Gulf was primarily served by imports prior to the opening of the Georgetown plant (in Beaumont, Tex.) in 1980.

On an aggregate basis, imports were reported to be of higher quality than wire rod coming from the continuous-cast facilities of the nonintegrated producers. Hence, quality of rod was an important issue for many of the purchasers. Other purchasers cited alternate sourcing as a determining factor in continuing a mix of domestic and imported wire rod, emphasizing both the importers' price gouging during the mid-1970's and the domestic mills' inability to supply sufficient quantities of wire rod in the early 1980's.

Of the allegations which were not confirmed, seven cases involved instances in which the purchasers did not purchase any of the cited imports. In two instances, the purchasers had bought carbon steel wire rod from sources outside the scope of the instant investigation. In the remaining cases, the purchasers stated that they had quality problems with their normal domestic supplier which necessitated a shift to an alternative (i.e., foreign) source. In these cases, the purchaser had a long-standing policy of procuring a portion of their carbon steel wire rod from offshore (again, these purchasers are located in the Southeast and in the Gulf areas, which were formerly served almost exclusively by imports).

Belgium.--Of the four allegations of sales lost because of imports of carbon steel wire rod from Belgium, all were checked, and two were confirmed because of price. These purchasers stated that price was their primary consideration in their purchasing decision.

Brazil.--Of the 27 allegations of lost sales because of imports of carbon steel wire rod from Brazil, 25 were checked, 20 confirmed, and 14 confirmed because of price. The 27 allegations, provided by 6 domestic producers for January 1980-June 1982, amounted to approximately 150,000 tons. During the

same period, the official statistics of the Department of Commerce show that less than 103,000 tons of carbon steel wire rod from Brazil entered the United States.

The 20 confirmed lost sales amounted to approximately 50,000 tons. A substantial portion of this tonnage was purchased from Brazil for reasons other than price; quality in general, a desire to purchase rimmed rod, and a desire to maintain long-standing alternative sources were cited as the main reasons for purchasing Brazilian rod. Such purchases amounted to approximately 25,000 tons and were consumed by various plants operated by large-volume purchasers of wire rod.

A number of companies, however, reported purchasing carbon steel wire rod from Brazil solely on the basis of price. These firms expressed the need to remain competitive with other wire drawers since the price of the wire rod sometimes constituted up to 80 percent of their production costs. The 13 firms which verified their purchases because of price accounted for almost 25,000 tons of Brazilian rod since 1980, or over 20 percent of wire rod imports from Brazil since 1980.

France.--Domestic producers provided nine allegations of sales lost to carbon steel wire rod from France. Of these nine, eight were checked, and two were confirmed (both of these were confirmed because of price considerations). These two sales amounted to * * * tons. In one of the instances, the purchaser stated that he also felt the French rod was of higher quality than was available from domestic sources. This purchaser is located * * *.

Venezuela.--* * * allegations of sales lost to imports of carbon steel wire rod from Venezuela were submitted. The Commission staff was able to contact all purchasers and * * *. These purchases amounted to approximately * * * tons and were made in 1981.

APPENDIX A

NOTICES OF THE COMMISSION'S FINAL INVESTIGATIONS AND LIST OF WITNESSES APPEARING AT THE COMMISSION'S HEARING

[Investigations Nos. 701-TA-148 Through 150 (Final)]

Carbon Steel Wire Rod From Belgium, Brazil, and France

AGENCY: International Trade Commission.

ACTION: Institution of final countervailing duty investigations and scheduling of a hearing to be held in connection with the investigations.

EFFECTIVE DATE: July 14, 1982.

SUMMARY As a result of affirmative preliminary determinations by the United States Department of Commerce that there is a reasonable basis to believe or suspect that the Governments of Belgium, Brazil, and France are providing, directly or indirectly, subsidies with respect to the manufacture, production, or exportation of carbon steel wire rod within the meaning of section 701 of the Tariff Act of 1930 (19 U.S.C. 1671), the United States International Trade Commission hereby gives notice of the institution of the following investigations under section 705(b) of the Act (19 U.S.C. 1671d(b)) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of carbon steel wire rod, provided for in item 607.17 of the Tariff Schedules of the United States, from—

Belgium (investigation No. 701-Ta-148 (Final)),

Brazil (investigation No. 701-TA-149 (Final)), and

France (investigation No. 701-TA-150 (Final)).

Carbon steel wire rod is defined as a coiled, semifinished, hot-rolled carbon steel product of approximately round, solid cross section not under 0.20 inch nor over 0.74 inch in diameter, not tempered, not treated, and not partly manufactured, and valued over 4 cents per pound.

FOR FURTHER INFORMATION CONTACT: Mr. Stephen Miller (202-523-0305), Office of Investigations, U.S. International Trade Commission.

SUPPLEMENTARY INFORMATION:

Background

On March 25, 1982, the Commission determined, on the basis of the information developed during the course of its preliminary investigations, that there was a reasonable indication that an industry in the United States was materially injured or threatened with material injury by reason of allegedly subsidized imports of carbon steel wire rod from Belgium, Brazil, and France. The preliminary investigations were instituted in response to petitions filed on February 8, 1982, by seven U.S. producers of carbon steel wire rod. The Department of Commerce will make its final subsidy determinations in these cases on or before September 21, 1982. The Commission must make its final injury determinations in the investigations within 120 days after the date of Commerce's preliminary subsidy determinations or by November 12, 1982 (19 CFR 207.25). A public version of the staff report containing preliminary findings of fact will be placed in the public record on September 1, 1982, pursuant to § 207.21 of the Commission's Rules of Practice and Procedure (19 CFR § 207.21).

Hearing

The Commission will hold a hearing in connection with these investigations beginning at 10:00 a.m., e.d.t., on September 23, 1982, at the U.S. International Trade Commission Building, 701 E Street, NW., Washington, D.C. 20436. Requests to appear at the hearing shold be filed in writing with the Secretary of the Commission not later than the close of business (5:15 p.m.) on August 31, 1982. All persons desiring to appear at the hearing and make oral presentations may file prehearing briefs and should attend a prehearing conference to be held at 9:30 a.m., e.d.t., on September 8, 1982, in Room 117 of the U.S. International Trade Commission Building. Prehearing briefs must be filed on or before September 16, 1982.

Testimony at the public hearing is governed by section 207.23 of the Commission's Rules of Practice and Procedure (19 CFR 207.23, as amended, 47 FR 6191). This rule requires that testimony be limited to a nonconfidential summary and analysis of material contained in prehearing briefs and to new information. All legal arguments, economic analyses, and factual materials relevant to the public hearing should be included in prehearing briefs in accordance with § 207.22 (19 CFR 207.22, as amended, 47 FR 6191). Posthearing briefs must conform with the provisions of § 207.24 (47 FR 6191) and must be submitted not later than the close of business on October 6, 1982.

Written submissions

Any person may submit to the Commission a written statement of information pertinent to the subject of these investigations. A signed original and fourteen (14) true copies of each submission must be filed with the Secretary to the Commission on or before October 6, 1982. All written submissions except for confidential business data will be available for public inspection.

Any business information for which confidential treatment is desired shall be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Confidential Business Information." Confidential submissions and requests for confidential treatment must conform with the requirements of § 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6).

Service of Documents

Any interested person may appear in these investigations as a party, either in person or by representative, by filing an entry of appearance with the Secretary in accordance with § 201.11 of the Commission's rules (19 CFR 201.11, as amended, 47 FR 6189). Each entry of appearance must be filed with the Secretary on or before August 18, 1982.

The Secretary will compile a service list from the entries of appearance filed in these final investigations and from the Commission's record in the preliminary investigations. Any party submitting a document in connection with these investigations shall, in addition to complying with § 201.8 of the Commission's rules (19 CFR 201.8 41 FR 17710, as amended 47 FR 6188, and 47 FR 13791), serve a copy of each such document on all other parties to the investigations. Such service shall conform with the requirements set forth in § 201.[16(b) of the rules (19 CFR 201.16(b) as amended, 47 FR 6190).

In addition to the foregoing, each document filed with the Commission in the course of these investigations must include a certificate of service setting forth the manner and date of such service. This certificate will be deemed proof of service of the document. Documents not accompanied by a certificate of service will not be accepted by the Secrtary.

For further information concerning the conduct of the investigations, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, part 207, subparts A and C (19 CFR 207, 44 FR 76457 as amended in 47 FR 6190 and

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47 FR 12792) and Part 201, subparts A through E (19 CFR Part 201).

This notice is published pursuant to § 207.20 of the Commission's Rules of Practice and Procedure (19 CFR § 207.20).

By order of the Commission.

Issued: July 22, 1982.

Kenneth R. Mason,

Secretary.

[FR Doc. 82-20489 Filed 7-27-82; 8:45 am]

BILLING CODE 7020-02-M

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731-TA-88 (Final)]

Carbon Steel Wire Rod From Venezuela

AGENCY: International Trade Commission.

ACTION: Institution of final antidumping duty investigation and scheduling of a hearing to be held in connection with the investigation.

EFFECTIVE DATE: July 23, 1982.

SUMMARY: As a result of an affirmative preliminary determination by the United States Department of Commerce that carbon steel wire rod from Venezuela is being sold or is likely to be sold in the United States at less than fair value (LTFV) within the meaning of section 731 of the Tariff Act of 1930 (19 U.S.C. (1673)) the United States International Trade Commission hereby gives notice of the institution of an investigation under section 735(b) of the Act (19 U.S.C. 1673d(b)) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise. For the purposes of this investigation, carbon steel wire rod is defined as a coiled, semifinished, hot-rolled, carbon steel product of approximately round, solid cross section, not under 0.20 inch nor over 0.74 inch in diameter, not tempered, not treated, and not partly manufactured, and valued over 4 cents per pound. As defined, carbon steel wire rod is provided for in item 607.17 of the Tariff Schedules of the United States.

FOR FURTHER INFORMATION CONTACT:

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Mr. Stephen Miller (202-523-0305) Office of Investigations, U.S. International Trade Commission

SUPPLEMENTARY INFORMATION:

Background

On March 25, 1982, the Commission determined, on the basis of the information developed during the course of its preliminary investigation, that there was a reasonable indication that an industry in the United States was materially injured or threatened with material injury by reason of less than fair value imports of carbon steel wire rod from Venezuela. The preliminary investigation was instituted in response to petitions filed on February 8, 1982, by seven U.S. producers of carbon steel wire rod. The Department of Commerce will make its final subsidy determination in this case on or before October 1, 1982. The Commission must make its final injury determination in this investigation within 120 days after the date of Commerce's preliminary subsidy determination or by November 20, 1982 (19 CFR 207.25).

However, the Commission will conduct this investigation concurrently with countervailing duty investigations Nos. 701-TA-148-150 (Final) carbon steel wire rod from Belgium, Brazil, and France, so that the Commission's final determination in these four investigations concerning carbon steel wire rod will be made by November 12, 1982. Accordingly, this antidumping investigation will follow the same schedule as countervailing duty investigations, Nos. 701-TA-148-150. A public version of the staff report containing preliminary findings of fact will be placed in the public record on September 1, 1982, pursuant to § 207.21 of the Commission's Rules of Practice and Procedure (19 CFR 207.21).

Hearing

The Commission will hold a hearing in connection with these investigations beginning at 10:00 a.m., e.d.t., on September 23, 1982, at the U.S. International Trade Commission Building, 710 E Street, NW., Washington, D.C. 20436. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m.) on August 31, 1982. All persons desiring to appear at the hearing and make oral presentations may file prehearing briefs and should attend a prehearing conference to be held at 9:30 a.m., e.d.t., on September 8, 1982, in room 117 of the U.S. International Trade Commission Building. Prehearing briefs must be filed on or before September 16, 1982.

Testimony at the public hearing is governed by § 207.23 of the Commission's Rules of Practice and Procedure (19 CFR 207.23, as amended, 47 FR 6191). This rule requires that testimony be limited to a nonconfidential summary and analysis of material contained in prehearing briefs and to new information. All legal arguments, economic analyses, and factual materials relevant to the public hearing should be included in prehearing briefs in accordance with rule 207.22 (19 CFR 207.22, as amended, 47 FR 6191). Posthearing briefs must conform with the provisions of rule 207.24 (47 FR 6191) and must be submitted not later than the close of business on October 6, 1982.

Written Submissions.

Any person may submit to the Commission a written statement of information pertinent to the subject of these investigations. A signed original and fourteen (14) true copies of each submission must be filed with the Secretary to the Commission on or before October 6, 1982. All written submissions except for confidential business data will be available for public inspection.

Any business information for which confidential treatment is desired shall be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Confidential Business Information." Confidential submissions and requests for confidential treatment must conform with the requirements of § 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6).

Service of Documents

Any interested person may appear in these investigations as a party, either in person or by representative, by filing an entry of appearance with the Secretary in accordance with section 201.11 of the Commission's rules (19 CFR 201.11, as amended, 47 FR 6189). Each entry of appearance must be filed with the Secretary no later than August 25, 1982.

The Secretary will compile a service list from the entries of appearance filed in these final investigations and from the Commission's record in the preliminary investigations. Any party submitting a document in connection with these investigations shall, in addition to complying with § 201.8 of the Commission's rules (19 CFR § 201.8 41 FR 17710, as amended 47 FR 6188 and 47 FR 13791), serve a copy of each such document on all other parties to the investigations. Such service shall conform with the requirements set forth in § 201.16(b) of the rules (19 CFR 201.16(b) as amended, 47 FR 6190).

In addition to the foregoing, each document filed with the Commission in the course of these investigations must include a certificate of service setting forth the manner and date of such service. This certificate will be deemed proof of service of the document. Documents not accompanied by a certificate of service will not be accepted by the Secretary.

For further information concerning the conduct of the investigations, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, Subparts A and C (19 CFR Part 207, 44 FR 76457 as amended in 47 FR 6190 and 47 FR 12792 and part 201, Subparts A through E (19 CFR Part 201).

This notice is published pursuant to § 207.20 of the Commission's Rules of Practice and Procedure (19 CFR 207.20).

By order of the Commission.

Issued: July 28, 1982.

Kenneth R. Mason,

Secretary.

[FR Doc. 82-21051 Filed 8-3-82; 8:45 am]

BILLING CODE 7020-02-M

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CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject : Carbon Steel Wire Rod from Belgium, Brazil, France and Venezuela

Inv. Nos. : 701-TA-148 through 150 (Final)
731-TA-88 (Final)

Date and time : September 23, 1982- 10:00 a.m., e.d.t.

Sessions were held in connection with the investigation in the Hearing Room of the United States International Trade Commission, 701 E Street, N.W., in Washington.

In support of the petition:

Patton, Boggs & Blow--Counsel
Washington, D.C.
Fried, Frank, Harris, Shriver & Kampleman--Counsel
Washington, D.C.
on behalf of

Atlantic Steel Company,
Georgetown Steel Corporation,
Georgetown Texas Steel Corporation,
Keystone Consolidated Industries, Inc.,
Penn-Dixie Steel Corporation,
Raritan River Steel Company

Roger R. Regelbrugge, President, Korf Industries, Inc.

W. O. Riley, President, Atlantic Steel Company

Thomas N. Tyrrell, Vice President, Marketing, Raritan River Steel Company

John Pisarkiewicz, Ph.D., Senior Consultant, National Economic Research Associates

Patton, Boggs & Blow

Charles Owen Verrill, Jr.--OF COUNSEL

Fried, Frank, Harris, Shriver & Kampleman

David E. Birenbaum--OF COUNSEL

In opposition to the petition:

Graubard, Moskovitz, McGoldrick, Dannett & Horowitz--Counsel
New York, N.Y.
on behalf of

Cockerill-Sambre, S.A.

Eve Houlihan, Vice President of Cockerill-Stinnes Steel Corporation

Michael H. Greenberg)
Charles L. Rosenzweig) --OF COUNSEL

Windels, Marx, Davies & Ives--Counsel
Washington, D.C.
on behalf of

Sacilor, Acieries et Laminoirs de Lorraine

Pierre F. de Ravel d'Esclapon--OF COUNSEL

APPENDIX B

NOTICES OF COMMERCE'S FINAL DETERMINATIONS

Final Affirmative Countervailing Duty Determination: Carbon Steel Wire Rod From Belgium

AGENCY: International Trade Administration, Commerce.

ACTION: Final Affirmative Countervailing Duty Determination.

SUMMARY: We have determined that certain benefits which constitute subsidies within the meaning of the countervailing duty law are being provided to manufacturers, producers, or exporters in Belgium of carbon steel wire rod, as described in the "Scope of the Investigation" section of this notice. The estimated net subsidy is indicated under the "Suspension of Liquidation" section of this notice. The U.S. International Trade Commission (ITC) will determine within 45 days of the publication of this notice whether these imports are materially injuring, or threatening to materially injure, a U.S. industry.

EFFECTIVE DATE: September 27, 1982.

FOR FURTHER INFORMATION CONTACT: Francis R. Crowe, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230, telephone: (202) 377-3003.

SUPPLEMENTARY INFORMATION:

Final Determination

Based upon our investigation, we have determined that certain benefits which constitute subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act), are being provided to manufacturers, producers,

or exporters in Belgium of carbon steel wire rod, as described in the "Scope of the investigation" section of this notice. The following programs are found to confer subsidies.

- capital grants
- exemptions from real property tax
- exemptions from capital registration tax
- loans to uncreditworthy companies
- equity participation by the government of Belgium (GOB)
- assumption of financing costs
- preferential loans
- industrial investment loans from the European Coal and Steel Community (ECSC)
- reimbursement of worker training costs
- readaptation and retraining assistance
- funds for loss coverage

We determine the estimated net subsidy to be the amount indicated in the "Suspension of Liquidation" section of this notice.

Case History

On February 8, 1982, we received a petition from counsel for Atlantic Steel Corp., Georgetown Steel Corp., Georgetown Texas Steel Corp., Keystone Consolidated, Inc., Korf Industries, Inc., Penn-Dixie Steel Corp., and Raritan River Steel Co., filed on behalf of the U.S. industry producing carbon steel wire rod. The petitioners alleged that certain benefits which constitute subsidies within the meaning of section 701 of the Act are being provided, directly or indirectly, to the manufacturers, producers, or exporters in Belgium of carbon steel wire rod. Counsel for petitioners alleged that "critical circumstances" exist, as defined in section 703(e) of the Act. We found the petitions to contain sufficient grounds upon which to initiate a countervailing duty investigation, and on March 1, 1982 we initiated a countervailing duty investigation (47 FR 9281).

Since Belgium is a "country under the Agreement" within the meaning of section 701(b) of the Act, an injury determination is required for this investigation. Therefore, we notified the ITC of our initiation. On March 25, 1982 the ITC preliminarily determined that there is a reasonable indication that imports of carbon steel wire rod from Belgium are materially injuring, or threatening to materially injure, a U.S. industry.

We presented questionnaires concerning the allegations to the Delegation of the Commission of the European Communities and to the Government of Belgium in Washington, D.C. On May 7, 1982 we received the responses to the questionnaires. A supplemental response was received on May 25, 1982. On July 8, 1982 we issued our preliminary determination in this investigation (47 FR 30541). This stated that the government of Belgium was providing its manufacturers, producers, or exporters of carbon steel wire rod with benefits which constitute subsidies. The programs preliminarily determined to bestow countervailable benefits were:

- "interest rebates"
- capital grants
- loan guarantees
- exemptions from real property tax
- exemptions from capital registration tax
- loans to uncreditworthy companies
- equity participation by the GOB
- assumption of financing costs
- labor assistance
- preferential loans
- industrial investment loans from the ECSC (Article 54)
- research and development aid

Scope of the Investigation

The product covered by this investigation is carbon steel wire rod. It is fully described in Appendix 1, which follows this notice.

Cockerill Sambre (Cockerill), is the only known Belgian producer and exporter of the subject product to the United States.

Cockerill Sambre is a company which resulted from the merger in June 1981 of Cockerill, which itself is a merger of several steel mills, and Hainaut-Sambre. Hainaut-Sambre was composed of three major components: Carlam, a recently constructed flat products mill which was mostly owned by Hainaut-Sambre; Thy-Marcinelle et Providence (TMP), which resulted from a merger of a Providence mill of the former Cockerill company with Thy-Marcinelle et Monceau in 1979; and the old Hainaut-Sambre Company. TMP merged with Hainaut-Sambre in 1980.

The period for which we are measuring subsidization is the calendar year 1981.

Analysis of Programs

In their responses, the GOB and the Delegation of the Commission of the European Communities provided data for the applicable periods. Additionally, we received information from Cockerill.

Throughout this notice, general principles applied by the Department of Commerce to the facts of the current investigation concerning carbon steel wire rod are described in detail in Appendices 2–4, which follow this notice. Where benefits were provided to the specific product, they were allocated over the value of sales of only that product in calculating the subsidy rate. Based upon our analysis of the petitions, responses to our questionnaires, our verification and oral and written comments by interested parties, we determine the following:

I. Programs Determined To Confer Subsidies

We have determined subsidies are being provided under the programs listed below to manufacturers, producers, or exporters in Belgium of carbon steel wire rod.

A. Programs Administered Under the Laws of July 14, 1966 and December 30, 1970 on Economic Expansion

The laws of July 18, 1959 and July 14, 1966 (the 1966 law) were economic development laws providing regional assistance. They predated the Law of December 30, 1970 (the 1970 law), which applies to the same regions covered by the earlier laws. The 1970 law provided for regional assistance to companies located in certain development areas to promote activities which contribute to the establishment, expansion, conversion or modernization of industrial enterprises. The 1966 law provided for assistance for economic reconversion and development of coal-producing regions and certain other regions experiencing grave and urgent problems. We have determined that benefits were provided under both the 1966 and 1970 laws (items 1–3 below) and that these benefits are countervailable because they are targeted to companies in specific areas.

1. *Capital Grants.* This program provides assistance in financing capital investments made by companies. A grant may be given which totally or partially replaces an "interest rebate" for which the investment is otherwise eligible under both laws. The methodology for calculating the subsidy value of grants is described in Appendix 2. The benefits are allocated over the average useful life of steel assets, 15 years, and are applied to the value of sales of the appropriate products of the company. Cockerill received several grants for less than $50 million. Where grants were not tied to any particular mill or product, but benefited carbon steel production, we allocated the benefits over the total sales value of carbon steel products produced by Cockerill.

The grants received by Cockerill amount to a subsidy rate of .112 percent *ad valorem*.

2. *Exemptions from Real Property Tax.* Under the 1970 law, qualifying

investments may be granted an exemption from the real property tax levied by the state, province, or local community on the estimated rental income from fixed assets. The exemption may be granted for a period of up to five years, depending on the degree to which the investment program achieves the objectives of the 1970 law. Exemptions received by companies were treated as grants that are normally expensed in the year received and applied to the total sales value of carbon steel products of the company.

The subsidy rate for Cockerill under this program is 0.073 percent *ad valorem*.

3. *Exemptions from Capital Registration Tax.* Assets transferred to a company which makes investments pursuant to the 1970 law may be exempted from the one percent capital registration tax. We treated exemptions under this program as grants that are normally expensed in the year received. The entire amount of the benefit was allocated over the total sales value of all products of the company.

Cockerill received exemptions amounting to a subsidy rate of 0.404 percent *ad valorem*.

B. Restructuring Plan Programs

The GOB has mandated a reorganization of the steel industry in Belgium under the following enactments and agreements:

- The Reorganization Plan of 1978 (Hanzinelle Agreement)
- Council of Ministers decision of November 23, 1978
- Royal Decree of December 15, 1978
- Council of Ministers decision of May 15, 1981
- Related and additional agreements between the government and the individual steel companies

These are intended to assist the modernization of the steel industry. Specific programs include loans to uncreditworthy companies, equity participation by the GOB and assumption of financing costs. We find these programs to provide countervailable benefits.

1. *Loans to Uncreditworthy Companies.* Petitioners allege that Cockerill, Hainaut-Sambre and TMP (now merged with Cockerill) were uncreditworthy at the time that loans from government institutions were made to them. We determine Cockerill to be uncreditworthy from 1978 through 1981. The company received a large, unguaranteed private loan (for which there is no evidence of government direction) during 1977 which establishes its creditworthiness despite negative indicators. Cockerill has been uncreditworthy since 1977 for several reasons. First, the company sustained losses ranging from 2.4 to 7.3 billion Belgian francs (BF) in each of the last four years prior to its merger with Hainaut-Sambre in 1981. Second, certain significant financial ratios for this company indicate an uncreditworthy situation, including successive years (1975 through 1981) of negative cash flow and low current ratios. Third, Cockerill apparently lost access to loans from independent commercial sources after 1977. Fourth, the government-directed moratorium on Cockerill's debt service is a further indication of uncreditworthiness, as is the amount, timing and nature of some of the government equity participation.

We determine Hainaut-Sambre to be uncreditworthy from 1977 through 1981. First, Hainaut-Sambre sustained losses ranging from 0.7 to 5.4 billion BF during the five years preceding its merger with Cockerill in 1981. Second, certain significant financial indicators for this company indicate an uncreditworthy situation, including successive years (1976 through 1978 and 1980) of negative cash flow, and very low current ratios. Third, the government-directed Moratorium on this company's debt service is a further indication of uncreditworthiness, as is the amount, timing and nature of some of the government equity participation.

In our preliminary determinations, we made no decision concerning the uncreditworthiness of TMP because we lacked sufficient information to identify loans to the company. On the basis of information subsequently received we have identified separate loans made to TMP. It was therefore necessary to evaluate TMP's creditworthiness.

We determine TMP to be uncreditworthy from 1977 through 1979. First, the company sustained losses ranging from 0.5 to 1.8 billion BF in the 4 years prior to its merger with Hainaut-Sambre. Second, certain significant financial indicators for this company indicate an uncreditworthy situation, including successive years (1976 through 1978) of negative cash flow and very low current ratios. Third, the government-directed moratorium on this company's debt service is a further indication of uncreditworthiness, as is the amount, timing and nature of some of the government equity participation.

Because we consider Cockerill (and before their acquisition, TMP and Hainaut-Samore) to have been uncreditworthy, loans and loan guarantees issued by the GOB during the period of uncreditworthiness are treated essentially as equity investments. Under the equity methodology for loans to uncreditworthy companies as discussed in Appendix 2, we compared the national rate of return on equity in Belgium to the rate realized by Cockerill. To prevent countervailing a higher subsidy amount than if the loan had been an outright grant to the company, we limited the 1981 benefit under this methodology to the result that would be found if the loans were treated as grants under the grant methodology discussed in Appendix 2. The countervailable benefit from each loan was allocated over the total sales value of all steel production of the company. Loans actually converted to equity of convertible debentures are treated separately under the section entitled "Equity Participation by the GOB," which follows.

The benefits to Cockerill under this program amounted to a subsidy rate of 1.075 percent *ad valorem*.

2. *Equity Participation by the GOB.* The GOB has purchased equity in certain steel companies and has converted "medium-" and long-term debt to equity. Equity infusions by the GOB took place as follows:

- Cockerill

1979—Conversion of debt to equity and convertible debentures

1981—Conversion of debt to equity and convertible debentures; purchases of equity to cover "cash drains"

- Hainaut-Sambre

1979—Conversion of debt to equity and convertible debentures

- TMP

1979—Conversion of debt to equity and convertible debentures

Equity participation by the government is not a subsidy *per se*. Petitioners allege, however, that government infusions of equity in Belgian steel companies were made at a time when these infusions did not represent sound commercial investments. Under the methodology described in Appendix 2, the treatment of government equity in a company hinges essentialy on an analysis of the soundness of the investment. If such an investment was not reasonably sound at the time it was made, we will consider it as giving rise to a potential subsidy.

As described *supra*, all the companies listed above recorded substantial and persistent losses over the last several years. Cockerill sustained losses from 1975 through 1981. Hainaut-Sambre sustained losses from 1975 through 1980, and TMP incurred losses from 1975 through 1979.

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Under normal business or financial criteria, companies exhibiting a pattern of deep or significant continuing losses and unfavorable financial ratios would not be regarded as sound commercial investments. In view of these histories of losses and other factors already discussed in the preceding section entitled "Loans to Uncreditworthy Companies," we do not regard these Belgian steel companies as representing sound commercial investments at the time the GOB acquired equity positons in them. Therefore, we determine that the equity infusions were inconsistant with commercial considerations.

Since the stocks of Cockerill, Hainaut-Sambre and TMP were traded on Belgian markets during the time span covering the government's equity infusions, we looked to the market and determined the value of the benefit by comparing the market value of these stocks at the beginning of the month in which the equity infusions were made to the actual price paid by the government. If the value paid by the GOB was greater than the market value, we treated the difference as a grant and allocated it over the average useful life of steel assets, 15 years, and over the total value of the company's sales.

In 1979 and 1981 the GOB entered into arrangements with Cockerill whereby it converted the company's debt into convertible debentures. Because these debentures will be repayable only at such time as the company makes sufficient profits to overcome its present heavy debt burden, we treated these conversions as tantamount to purchases of equity in amounts equal to the value of the debentures.

The benefit to Cockerill under this program amounted to a subsidy rate of 4.981 percent *ad valorem*.

3. *Assumption of Financing Costs.* The GOB, in addition to converting debt to debentures, has assumed all financing costs on "medium-" and long-term borrowing for Cockerill for the years 1979–83 and postponed the repayment of principal until 1984. We treated the assumption of interest charges as grants to Cockerill and followed the methodology described in Appendix 2. Because the grants under this program were not tied to specific capital equipment, we allocated the benefits over the average useful life of steel assets, 15 years, and over the total sales value of steel products produced by Cockerill.

The benefit to Cockerill under this program amounted to a subsidy rate of 2.619 percent *ad valorem*.

C. Preferential Loans

The Societe Nationale de Credit a l'Industrie (SNCI) is a lending institution created by the GOB which sets the long-term interest rates generally adhered to by private banks in Belgium. Loans were provided to Cockerill (prior to the years in which we find it to be uncreditworthy) by SNCI at interest rates lower than those provided by the lender to other customers. We treated these loans as preferential loans to the recipient companies. To calculate the benefit from these preferential loans, we followed the methodology outlined in Appendix 2.

Cockerill also received a short-term loan from the GOB in 1981 that we have determined to be preferential. For short-term benchmark rates we used the representative money-market rates for Belgium for the month the loan was received. We found the difference between the interest rate provided by the GOB and our benchmark to represent an interest subsidy to Cockerill. We calculated the interest saved by Cockerill on that loan during the applicable period of 1981 and treated it as a grant expensed in the year received.

The subsidy rate to Cockerill for this program is 0.025 percent *ad valorem*.

D. Industrial Investment Loans From the ECSC (Article 54)

For the reasons described in Appendix 3, we have determined that ECSC industrial investment loans (pursuant to Article 54 of the Treaty of Paris) provide countervailable benefits. Cockerill received such loans between 1962 and 1976. We calculated the benefits from these loans made to Cockerill by using the methodology for loans to companies not considered uncreditworthy described in Appendix 2. We allocated the benefits of these loans over the total sales value of carbon steel products of the company.

The benefits for Cockerill amounted to a subsidy rate of 0.036 percent *ad valorem*.

E. Reimbursement of Worker Training Costs

The National Employment Office in Belgium reimburses firms for various in-plant and outside professional training costs. Increased benefits are provided to enterprises located in development areas or in areas in which coal mine closings have adversely affected the economic or social situation in the area. We have determined that this program is countervailable because of its regional nature.

The benefit of Cockerill amounted to a subsidy rate of 0.014 percent *ad valorem*.

F. Readaptation and Retraining Assistance

The GOB finances a portion of readaptation and retraining assistance for laid-off employees under Article 56 of the ECSC Treaty (described in Appendix 3). The program provides for the assumption by the government of a portion of the training costs of the steel companies for the re-employment of laid-off workers. We have determined that laid-off workers are being retrained to assume jobs in the steel industry and that the assistance is, therefore, a subsidy to a participating steel company.

The benefits to Cockerill amounted to a subsidy rate of 0.045 percent *ad valorem*.

G. Funds for Loss Coverage

The GOB has provided equity infusions to Cockerill for "cash drains." These funds have been treated as grants used to cover operating deficits. Since these funds were for loss coverage, the benefits were used fully in the year received (see Appendix 2).

The benefits to Cockerill amounted to a subsidy rate of 3.841 percent *ad valorem*.

II. Programs Determined Not To Confer Subsidies

We have determined that subsidies are not being provided under the following programs to manufacturers, producers, or exporters in Belgium of carbon steel wire rod.

A. Environmental Incentives

The GOB provides funding for certain environmental projects. Cockerill received small grants under this program. We have reviewed the applicable laws and have found no provisions which limit aid for environmental projects to specific industries or regions. Since the grants are generally available and we have no evidence that the steel industry in Belgium is a major beneficiary, we have determined that this program does not provide subsidies to the steel industry.

B. Assistance to the Coal Industry

In our preliminary determination, we found that subsidies to Belgian coal producers did not bestow a countervailable benefit upon the production, manufacture or export of Belgian steel.

Between the preliminary determination and this final

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determination, we have analyzed and verified aspects of the Belgian coal subsidy program as it applies to steel. Based upon the verified information in the records of these investigations, we find that this program does not confer a countervailable benefit on Belgian steel producers for the following reasons.

Benefits bestowed upon the manufacturer of an input do not necessarily flow down to the purchaser of that input, if the sale is transacted at arm's length. In an arm's-length transaction the seller generally attempts to maximize its total revenue by charging as high a price and selling as large a volume as the market will bear.

These principles apply to Belgian coal sales as follows. With respect to sales of Belgian coal outside Belgium, the price charged for subsidized Belgian coal certainly does not undercut the freely available market price. Therefore, non-Belgian purchasers of subsidized Belgian coal do not benefit from Belgian coal subsidies.

In support of this conclusion, we note that if non-Belgian steel producers did benefit from Belgian coal subsidies, they would attempt to purchase more Belgian coal rather than unsubsidized coal from other sources, including the U.S. The fact that they purchase significant amounts of unsubsidized coal from other sources indicates that the subsidies on Belgian coal do not flow to non-Belgian coal consumers.

Moreover, it is extremely unlikely that the Belgian government would subsidize non-Belgian coal consumers unless compelled to do so by obligations to the European Communities.
Since there is no evidence of such obligation, we conclude that the Belgian government is not in fact subsidizing non-Belgian coal consumers.

With respect to sales of Belgian coal within Belgium—which account for the vast majority of all sales of Belgian coal—we likewise find that the price of Belgian coal does not undercut the market price. Absent special circumstances warranting a contrary conclusion, Belgian steel producers apparently do not benefit from Belgian coal subsidies at least as long as the price for Belgian coal does not undercut the market price.

Further consideration is warranted for two reasons. First, the major Belgian coal producer and Cockerill are both largely government-owned. The issue arises whether transactions between them are conducted on an arm's-length basis. We do not believe that government ownership *per se* confers a subsidy, or that common government ownership of separate companies necessarily precludes arm's-length transactions between them. To determine whether coal sales between Belgian government-owned coal and steel producers appear to have been consummated on arm's-length terms, we considered two factors: (1) Whether the government-owned coal producer sold to the government-owned steel producer at the prevailing market price, and/or (2) whether the government-owned coal producer sold coal at the same prices to steel producers not owned by the government (*e.g.*, Clabecq). We found that Belgian coal producers did charge the prevailing market prices, and that the same coal prices were charged regardless of whether the purchaser was or was not Belgian government-owned. On this basis, we conclude that coal subsidies were not conferred on steel producers as a result of government ownership.

Second, we were told by one Belgian government official that Belgian steel companies are pressured to purchase all coking coal produced by Belgian coal companies at the price established by the government, based upon market prices. This indicates that there are *de facto*, although not *de jure*, restrictions on the importation of coal into Belgium. However, the Belgian coal companies collectively produce only enough coking coal to satisfy less than 50% of the Belgian steel companies' requirements. Therefore, the market prices outside Belgium remain relevant, both directly for the coking coal purchased outside Belgium, and indirectly for the Belgian coking coal since the Belgian price is based on market prices outside Belgium.

Moreover, there is no evidence that the Belgian government would pressure Belgian steel producers to buy Belgian coal if the price for such coal were to rise significantly above the market price—a factor over which the Belgian government has control since it establishes prices.

Based upon the above considerations, we determine that Belgian coal subsidies do not confer upon Belgian steel producers a subsidy within the meaning of the Act.

Regarding the allegation that the Belgian steel industry benefits from German government assistance provided to the coal industry in the FRG, we do not consider such assistance to confer a countervailable benefit on the Belgian steel industry for the reasons outlined in Appendix 2.

The ECSC provides various production and marketing grants to ECSC coal and coke producers. However, we do not consider this assistance to confer a countervailable benefit on the Belgian steel industry for the reasons described in Appendix 3.

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C. Programs Contained in the Law of July 17, 1959 for Economic Expansion

The Law of July 17, 1959 for economic expansion (the 1959 law) contains programs which are designed to promote economic expansion and modernization. The 1959 law provides for interest rebates, grants for capital investments, government loan guarantees, exemptions from property taxes on investments approved under the law and grants for research and development (R.&D.). Cockerill received benefits under this law, but these benefits are generally available to all industries in Belgium on equal terms, and we have no evidence that the steel industry in Belgium is a major beneficiary. Thus, absent other evidence of preferentiality, the benefits under this law are not countervailable.

D. GOB Advances for R&D Under the Economic Expansion Laws

Interest-free advances can be provided under the 1959 law and the 1970 law up to a maximum of 80 percent of the expense incurred for the R&D of prototypes. The GOB responded that it has provided this type of aid to the steel industry under the 1959 law, which we have concluded does not confer countervailable benefits, as discussed above.

E. Supplier Credit

Subsequent to the preliminary determination in this investigation, it was alleged in the case of Certain Steel Products from Belgium that, but for government assistance, Cockerill would not have been able to obtain supplier credit. We have no information that would cause us to believe that the supplier credits are provided on terms inconsistent with commercial considerations. Since these credits have been provided by independent, private sources and we have no evidence that the GOB has influenced financial institutions in this regard, we have determined that this program does not provide subsidies to the steel industry. For further discussion of this program, see Appendix 2.

F. Maribel Program

Subsequent to the preliminary determination in this investigation, it was alleged in the case of Certain Steel Products from Belgium that Belgian steel producers benefited from a change in the social security system instituted on July 1, 1981. Under the "Maribel Program," contributions to social security programs by employers of manual workers were reduced by 6.17 percent. Counsel for Bethlehem

maintains that since the program is restricted to manual workers, it provides benefits to a specific industry or group of industries and is, therefore, countervailable. We have decided that assistance to virtually all manual workers does not create a program targeted to steel or to a specific enterprise or industry or group of enterprises or industries. Therefore, we determine that the program does not confer countervailable subsidies to the steel industry.

G. Labor Assistance (Prepension Program)

The government-mandated restructuring of the steel industry included provisions for the early retirement of certain workers. The government assumed responsibility for funding costs for which the company would not normally be obliged. We have determined that this government assistance does not confer countervailable benefits to the companies because it is really extra assistance to the workers passed through the companies.

H. Research and Development (R&D) From the GOB

The GOB provides R&D funds to a wide range of disciplines through the Institute for Scientific Research in Industry and Agriculture (IRSIA). Funding is provided for projects which "ensure the progress" of industry and agriculture. IRSIA is administered by a board of directors which has representation from various sectors of industry and agriculture, trade unions and educational institutions.

In the preliminary determination the Department considered that this program conferred countervailable benefits to Cockerill because of direct grants to it by IRSIA. Because of the broad scope and administration of the IRSIA program, we have determined that the program is not countervailable since there is no evidence of targeting funds for an industry under investigation. In the 1980–81 research cycle, approximately 11 percent of IRSIA's budget went to the entire metallurgical sector for research involving steel and non-ferrous metals.

III. Programs Determined Not To Be Used

We have determined that the following programs which were listed in the notice of "Initiation of Countervailing Duty Investigations" were not used by the manufacturers, producers, or exporters in Belgium of carbon steel wire rod.

A. Accelerated Depreciation

Companies that receive investment benefits provided for by the 1970 law may take twice the normal annual straight-line depreciation for assets acquired as the result of the investment. The benefit from the program is reduced taxable income. Cockerill had losses during the period for which we are measuring subsidization greater than the amounts that would have been saved by use of accelerated depreciation.

B. Employment Premiums

Article 14 of the 1970 law provides for employment premiums for investments that create new jobs. The assistance may be given for new enterprises or for the expansion of existing enterprises. Nonrepayable premiums may be paid for as long as five years depending on the rate at which new jobs are created and filled. We have found no evidence that Cockerill participated in this program. Employment has dropped approximately 30 percent in the steel industry as the result of actions taken under the steel industry restructuring plan.

C. Contractual Aid

The 1970 law provides for aid in realizing specific objectives related to certain long-term, large scale investments. The government and an enterprise negotiate the specific terms of the program and enter into a "progress contract." The GOB has stated that this provision of the 1970 law has not been applied. Companies may also receive aid for reorganizations. Under "management contracts," the government may grant interest-free aid, to be repaid within three years, for up to 75 percent of management advisory fees. The GOB stated that of the twelve management contracts it has entered into, none were with steel companies.

D. Export Assistance

Certain export assistance programs, such as export financing and commercial risk guarantees, are provided by the Office National du Ducroire. We have found no evidence that Cockerill has received assistance under this program.

E. The European Regional Development Fund (ERDF)

On the basis of our investigations we have concluded that Cockerill has not received ERDF funds (see Appendix 3).

F. European Investment Bank (EIB)

We have determined that Cockerill did not carry loans from the EIB in 1981 (see Appendix 3).

G. Loan Guarantees From the ECSC

We have determined that Cockerill did not receive loan guarantees from the ECSC. For further discussion of this issue, see Appendix 3.

H. "Interest Rebates"

"Interest rebate" programs are administered by the Ministry of Economic Affairs. The rebates may be given on investment loans for tangible and intangible assets. The law also provides for "interest rebates" on interest payable by the companies to holders of bonds and convertible debentures. Rebates are variable depending upon the degree to which the investment projects meet the objectives of the 1970 law.

Upon verification we discovered that Cockerill did not receive "interest rebates" during the period for which we are measuring subsidization.

I. ECSC Interest Rebates and R&D Grants

We have determined that Cockerill did not participate in this program. For our treatment of these programs in general, see Appendix 3.

J. Reduction of Capital Gains Tax

Capital gains on the sales of tangible property may be exempt from corporate taxes if receipts are reinvested in Belgium in the development areas of the 1970 law within one year of the end of the tax period. We have determined that Cockerill did not receive any benefits under this program.

K. Employment Premiums for New Workers and Trainees

The "De Wulf Plan" (Royal Decree of October 15, 1979) grants employment premiums of 82,500 BF per quarter to companies that reduce their work week and increase their labor force. Under another plan, 30,000 BF may be paid for each trainee in excess of a number equaling one percent of the workforce of a company in 1980 and 1981. We have no evidence that Cockerill participated in this program.

Petitioners' Comments

Comment 1: Counsel for petitioners argue that programs contained in the Law of July 17, 1959 for economic expansion are countervailable and that the Department's interpretation of specificity under the Act is incorrect.

DOC Position: Two laws were passed in July 1959. Programs under the Law of July 18, 1959 are countervailable on the basis of regional preferentiality. Programs under the Law of July 17, 1959 are not countervailable because they are

available to companies in all regions and are not directed to a specific enterprise or industry or group of enterprises or industries. See Appendix 4 for a discussion of the Department's interpretation of preferentiality under section 771(5) of the Act.

Comment 2: Counsel for petitioners argue that the availability of unsubsidized substitutes for Belgian coal at comparable prices does not obviate the conclusion that Belgian coal subsidies provide a countervailable benefit to the steel industry. Petitioners state that Belgian coal subsidies are targeted to the steel industry. They argue further that transactions between Belgian coal and steel producers are unlikely to be conducted at arm's length since both buyer and seller are government-owned.

DOC Position: In our preliminary determination, one reason cited for concluding that Belgian subsidization of its coal industry does not indirectly subsidize its steel industry is that Belgian governmental assistance is provided to producers of all types of coal, not just coking coal. On this basis, we preliminarily determined that assistance does not subsidize "* * * a specific enterprise or industry or group of enterprises or industries" under investigation.

Upon verification, we determined that the great majority of subsidized Belgian coal is coking coal, which is used primarily by the steel industry (although the Belgian steel industry acquires 55–60 percent of its coking coal from foreign sources, including the U.S.). In this final determination, therefore, we are basing our determination on a different basis, as indicated *supra*. Also as explained *supra*, we do not believe that government ownership of separate companies necessarily precludes them from conducting some transactions on an arm's-length basis. Since the major Belgian coal producer and Cockerill are both largely government-owned, we consider whether (1) the coal prices charged to Cockerill were at the prevailing market rates; and (2) whether the same prices were charged to Cockerill and to othe steel producers not owned by the Belgian government. Since we reached affirmative determinations in both cases, we concluded that it is reasonable to assume that coal transactions between the Belgian government's coal producer and Cockerill were conducted on an arm's-length basis.

Comment 3: Petitioners claim that there are implicit restrictions on the amount of coal Belgian steel companies can buy from abroad.

DOC Position: As indicated *supra*, and in the Department's verification report concerning the GOB, there is some evidence that Belgian steel companies are pressured by the Belgian government to purchase the entire output of Belgian coal companies. (There is no evidence that there are any *de jure* restrictions on the importation of coal). However, Belgian coal producers at best can satisfy less than 50 percent of the requirements of Belgian steel producers. Therefore, market prices outside Belgium remain relevant in determining whether Belgian steel producers benefit from assistance to Belgian coal producers for the following reasons. First, the price for Belgian coal established by the Belgian government is based upon that market price, which is thus indirectly relevant. Second, over 50 percent of the Belgian steel companies' requirements for coking coal are satisfied through coking coal imports. Their prices are therefore directly relevant. Moreover, there is no evidence that the Belgian government would continue to pressure its steel producers to buy Belgian coal if the price for Belgian coal rose significantly above market price. We, therefore, determine that even if there are *de facto* restrictions on the importation of coking coal into Belgium, the Belgian steel producers nonetheless received no countervailable benefits from subsidization by the GOB of its coal industry.

Comment 4: Counsel for petitioners argue that the portion of ECSC assistance funded by producer levies is countervailable.

DOC Position: For reasons set forth in Appendix 3, we determine that the portion of ECSC assistance funded by producer levies is not countervailable.

Comment 5: Counsel for petitioners argue that the discount rate for grant calculations for uncreditworthy companies should be increased to reflect the more limited access of these companies to private funding.

DOC Position: For a discussion of this issue, refer to Appendix 2.

Respondent's Comments

Comment 1: Counsel for Cockerill argues that the Department adopted new methodologies for the calculation of subsidy rates without the normal regulatory notice and comment procedures. They stated that the concept of "creditworthiness" and the methodologies described in Appendix B of the preliminary determinations have no basis in law.

DOC Position: For a discussion of this issue, refer to Appendix 4.

Comment 2: Counsel for Cockerill argues that the stock market price used by the Department does not represent an adequate basis for comparison with the price paid by the GOB because it does not include the added value of a premium for gaining control of the company. In addition, they state the prices paid by the GOB were below book value and were comparable to those paid by purchasers of stock in other European steel mills.

DOC Position: The Department believes that the price set by the market for Cockerill's stock is the most appropriate measure of the true value of its equity. For further discussion of this issue, see Appendix 2.

Comment 3: Counsel for Cockerill argues that the Department's creditworthiness decision concerning Cockerill is incorrect. They assert that Cockerill and Hainaut-Sambre have received substantial private lending in the form of short-term loans. They further argue that the GOB does not implicitly stand behind Cockerill to help it get private credit because the GOB has let several companies it owns go bankrupt. Thus, they argue, Cockerill is creditworthy independent of the backing of the GOB.

DOC Position: Respondent argues that Cockerill is creditworthy because it has received short-term credit from private sources. We determine, however, that such lending, which is largely backed by receivables, does not imply a judgment of creditworthiness.

We determine Cockerill to be uncreditworthy from 1978 through 1981. For each of those years, various financial indicators pointed to the uncreditworthiness of the company. For further discussion of this issue, see the section titled "Loans to Uncreditworthy Companies" *supra*.

Comment 4: Counsel for Cockerill argues that programs under the law of December 30, 1970 are not countervailable for the following reasons:

- The law is regional but not targeted to specific industries.
- The 1970 law is similar to the general law of July 17, 1959.

DOC Position: The 1970 law provides benefits only to companies in certain regions. Consequently, these benefits are provided to a specific group of enterprises or industries and are countervailable under section 771(5) of the Tariff Act of 1930. Further, past administrative practice, judicial decisions, and the legislative history of the Trade Agreements Act of 1979 make

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it clear that regional benefits are countervailable.

Comment 5: Respondent argues that since the 1970 law, which provides benefits only to certain regions, provides only marginally higher benefits than would be available under the July 17, 1959 law, only the incremental benefit should be countervailed.

DOC Position: The benefits to which respondents refer were provided under the 1970 law. The Department would have to ignore the facts in the record to treat benefits provided under the 1970 law as if they were provided under the July 17, 1959 law.

Comment 6: Counsel for Cockerill argues that the benefits from the capital registration tax resulted from a corporate reorganization and that similar tax exemptions exist in the United States. They state that there would have been no such benefit if the funds received from the GOB were grants rather than equity.

DOC Position: Regardless of the circumstances of the increase in capital, this exemption from a statutory obligation, provided under the regional incentive law of December 30, 1970, confers a countervailable benefit on cockerill.

Comment 7: Counsel for cockerill argues that the GOB "prepension" benefits are not countervailable subsidies. They argue that, but for these provisions, the company would have had to pay 3–6 months of severance pay to retiring workers, which is less than the obligations under the "prepension" program. They state that under the restructuring plan the government mandated these extraordinary benefits to retirees and at the same time helped the companies to pay for them.

DOC Position: The Department has determined that since the government mandated these payments to the workers as part of the steel restructuring plan, the company is merely a conduit for the flow of funds from the government to the workers, and the government's contribution is not countervailable. See additional discussions of this issue at petitioner's comment on the "prepension program" and the section of this notice titled "Labor Assistance (Prepension Program)."

Comment 8: Counsel for Cockerill argues that the largest instance of research and development funding to Cockerill was made available under the general incentive law of July 17, 1959.

DOC Position: The Department verified that this benefit was granted specifically under the law of July 17, 1959 and determined that it is not a countervailable benefit to Cockerill.

Negative Determination of Critical Circumstances

The petition alleged that imports of carbon steel wire rod under investigation present "critical circumstances." Under §§ 355.29 and 355.33(b) of the Department's regulations, critical circumstances exist when the alleged subsidies include an export subsidy inconsistent with the Agreement and there have been massive imports of the class or kind of merchandise which is the subject of the investigation over a relatively short period. We have not found any export subsidy in this investigation. Therefore, "critical circumstances" do not exist in this investigation for a carbon steel wire rod from Belgium.

Verification

In accordance with section 776(a) of the Act, we verified the data used in making our final determinations. During this verification, we followed normal procedures, including inspection of documents, discussions with government officials on-site inspection of manufacturers' operations and records.

Administrative Procedures

The Department has afforded interested parties an opportunity to present oral views in accordance with its regulations (19 CFR 355.35). A public hearing was held on August 11, 1982. In accordance with the Department's regulations (19 CFR 355.34 (a)), written views have been received and considered.

Suspension of Liquidation

The suspension of liquidation ordered in our preliminary affirmative countervailing duty determination shall remain in effect until further notice. The estimated net subsidy is as follows:

Manufacturer/producer/exporter	Ad valorem rate (percent)
Name:	
Cockerill Sambre	13.225
All other manufacturers/producers/exporters	13.225

We are directing the U.S. Customs Service to require a cash deposit or bond in the amount indicated above for each entry of the subject merchandise entered on or after the date of the publication of this notice in the Federal Register. If the manufacturer is unknown, the rate for all other manufacturers/producers/exporters shall be used.

ITC Notifications

In accordance with section 705(d) of the Act, we will notify the ITC of our determinations. In addition, we are making available to the ITC all non-privileged and non-confidential information relating to these investigations. We will allow the ITC access to all privileged and confidential information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order without the written consent of the Deputy Assistant Secretary for Import Administration. The ITC will determine within 45 days of the publication of this notice whether imports of carbon steel wire rod are materially injuring, or threatening to materially injure, a U.S. industry. If the ITC determines that material injury, or threat of material injury, does not exist, this proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. If, however, the ITC determines that such injury does exist, within 7 days of notification by the ITC of that determination, we will issue a countervailing duty order, directing Customs officers to assess a countervailing duty on carbon steel wire rod from Belgium entered or withdrawn from warehouse, for consumption after the suspension of liquidation, equal to the net subsidy determined or estimated to exist as a result of the annual review prescribed by section 751 of the Act. The provisions of section 707 of the Act will apply to the first directive for assessment.

This notice is published pursuant to section 705(d) of the Act and § 355.33 of the Department of Commerce Regulations (19 CFR 355.33).

Dated: September 21, 1982.

Lawrence Brady,

Assistant Secretary for Trade Administration.

Appendix 1.—

Description of Product

For the purpose of this investigation the term *"carbon steel wire rod"* covers a coiled, semi-finished, hot-rolled carbon steel product of approximately round solid cross section, not under 0.20 inch nor over 0.74 inch in diameter, not tempered, not treated, not partly manufactured; and valued over 4 cents per pound, as currently provided for in item 607.17 of the *Tariff Schedules of the United States.*

Appendix 2.—Methodology

Several basic issues are common to the countervailing duty investigations of

carbon steel wire rod initiated by the Department of Commerce (the Department) on March 1, 1982; *e.g.*, government assistance through grants, loans, equity infusions, loss coverage, research and development projects and labor programs. This appendix describes in some detail the general principles applied by the Department when dealing with these issues as they arise within the factual contexts of these cases. This appendix, although substantially the same as Appendix B to the preliminary determinations (see "Preliminary Affirmative Countervailing Duty Determinations, Carbon Steel Wire Rod from Belgium (47 FR 30541)), does describe some changes in methodology. These changes are principally in the areas of the discount rate value, funds for loss coverage, and preferential loans with deferred principal payment.

Grants

Petitioners alleged that respondent foreign steel companies have received numerous grants for various purposes. Under section 771(5)(B) of the Tariff Act of 1930, as amended (the Act) (19 U.S.C. 1677(5)(B)), domestic subsidies are countervailable where they are "provided or required by government action to a *specific* enterprise or industry, or group of enterprises or industries" (emphasis added).

The legislative history of Title VII of the Act states that where a grant is "tied" to—that is, bestowed specifically to purchase—costly pieces of capital equipment, the benefit flowing from the grant should be allocated in relation to the useful life of that equipment. A subsidy for capital equipment should also be "front-loaded" in these circumstances; that is, it should be allocated more heavily to the earlier years of the equipment's useful life, reflecting its greater commercial impact and benefit in those years.

Prior to these cases on carbon steel wire rod, the Department allocated the face value of the grant, in equal increments, over the appropriate time period. For large capital equipment, we used a period of half the useful life of the equipment purchased with the grant. In each year we countervailed only that year's allocated portion of the total grant. For example, a hypothetical grant of $100 million used to purchase a machine with a 20-year life would have been countervailed at a rate of $10 million per year (allocated over the appropriate product group) for 10 years, beginning in the year of receipt.

This allocation technique has been criticized for not capturing the entire subsidy because it ignores the fact that money has a changing value as it moves through time. It has been argued that $100 million today is much more valuable to a grant recipient than $10 million per year for the next 10 years, since the present value (the value in the initial year of receipt) of the series of payments is considerably less than the amount if initially given as a lump sum. We agree with this position and, as indicated in the preliminary determinations, have now changed our methodology of grant subsidy calculation to reflect this agreement. As long as the present value (in the year of grant receipt) of the amounts allocated over time does not exceed the face value of the grants, we are consistent with both our domestic law and international obligations in that the amount countervailed will not exceed the total net subsidy.

The present value of any series of payments is calculated using a discount rate. As indicated in the preliminary determinations, we considered using each company's weighted cost of capital at the time of the grant receipt as the appropriate measure of the time value of its funds. However, we lacked sufficient information to do so for the preliminary determinations, and instead used the national cost of long-term corporate debt as a substitute measure of a company's discount rate.

Between the preliminary and final determinations we reviewed the comments and suggestions of various interested parties, principally contained in the pre- and post-hearing briefs. In addition, we sought the advice of an outside consultant with experience in the field of international investment banking.

On the bais of those discussions and the advice, we determine that the most appropriate discount rate for our purposes is the "risk-free" rate as indicated by the secondary market rate for long-term government debt (in the home country of the company under investigation). The basic function of the "present value" exercise is to allocate money received in one year to other years. Domestic interest rates perform this function within the context of an economy. The foundation of a country's interest rate structure is usually its government debt interest rate (the risk-free rate). All other borrowings incorporate this risk-free rate and add interest overlays reflecting the riskiness of the funded investment.

When we allocate a subsidy over a number of years it is not the intention of the Department to comment on or judge the riskiness of the project undertaken with the subsidized funds, nor to evaluate the riskiness of the company as a whole. We do not intend either to speculate how a project would have been financed absent government involvement in the provision of funds. Rather, we simply need a financial mechanism to move money through time so as to accurately reflect the benefit the company receives. We believe that the best discount rate for our purposes is one which is risk free and applicable to all commercial actors in the country. Therefore we have used in these final determinations long-term government debt rates (as reflected in the secondary market) as our discount rates.

For a costly piece of capital equipment, we believe that the appropriate time period over which to allocate the subsidy is its entire useful life. In the past, we allocated the subsidy over only half the useful life in order to "front-load" the countervailing duties, thereby complying with the legislative intent of the Act. However, so long as we allocate the subsidy in equal nominal increments over the entire useful life, it will still be effectively front loaded in real terms (as long as a positive discount rate is used) since money tomorrow is less valuable than money today.

For these steel investigations we have allocated a grant over the useful life of equipment purchased with it when the value of that grant was large (in these investigations, greater than $50 million) and specifically tied to pieces of capital equipment. Where the grant was small (generally less than one percent of the company's gross revenues and tied to items generally expensed in the year purchased, such as wages or purchases of materials), we have allocated the subsidy solely to the year of the grant receipt. We construe that a grant is "tied" when the intended use is known to the subsidy giver and so acknowledged prior to or concurrent with the bestowal of the subsidy. All other grants—the vast majority of those involved in these investigations—are allocated over 15 years, a period of time reflecting the average life of capital assets in integrated steel mills. The 15-year figure is based on Internal Revenue Service studies of actual experience in integrated mills in the U.S. Furthermore, we understand that a 15-year period is a common useful life adopted in some of the countries involved in these investigations for steel capital equipment. We are using this time period because we sought a uniform period of time for these allocations and this was the best available esumate of the average steel asset life worldwide. We could not calculate the average life of capital assets on a company-by-company basis, since different

accounting principles, extraordinary write-offs, and corporate reorganizations yielded extremely inconsistent results.

Funds to Cover Losses

In the preliminary determinations we did not distinguish funds (either in the form of untied grants or equity infusions) which were available for loss coverage from other grants or equity infusions. We stated that since grants used for loss coverage often have the effect of helping keep the firm in business, we allocated the benefit over 15 years when the funds were in the form of a grant or used the appropriate equity methodology when the loss coverage funds were in the form of equity.

Between the preliminary and final determinations we received the comments and suggestions of various interested parties principally contained in the pre- and post-hearing briefs. In addition, we sought the advice of the Department's accountants and outside consultants on the issue of the appropriate treatment of funds for loss coverage. Based on the above, we have decided not to allocate the subsidy benefit of these funds over time but rather to allocate them to the year of receipt.

We have done so on the advice of these accounting experts in order to reflect the nature of the liabilities giving rise to the loss. These liabilities are generally the basic costs of operations (*e.g.*, wages, materials, certain overhead expenses)—items generally expensed in the year incurred.

We calculated the magnitude of the loss from a company's financial statements beginning with net earnings and working back to a cash-based measure of loss. We allocated to loss coverage only those grants and equity infusions which were truly cash inflows into the company and were actually available to cover losses.

In any instances in which infusions were specifically tied to loss coverage, we allocated such infusions accordingly. If infusions were not so tied, we concluded that general, untied grants were a more logical source of loss coverage assistance than general infusions of equity. Accordingly, in making these allocations we treated funds available from grants as the primary source of monies available for loss coverage. We allocated funds available from equity infusions to loss coverage only in the absence of grants or after available grant funds had been exhausted.

We generally treated such cash inflows as covering the losses incurred in the previous fiscal year and allocated the subsidy benefit flowing from such funds to the year of their receipt. An exception was made where losses were continually covered by a special arrangement with the government (as through the use of a special reserve account). In these cases, since the funds for loss coverage were accessible as the losses arose, we allocated the benefit flowing from these funds to the period in which the losses occurred.

Loans and Loan Guarantees for Companies Considered Creditworthy

In these investigations, various loan activities give rise to subsidies. The most common practices are the extension of a loan at a preferential interest rate where the government is either the actual lender or directs a private lender to make funds available at a preferential rate, or where the government guarantees the repayment of the loan made by a private lender. The subsidy is computed by comparing what a company would pay a normal commercial lender in principal and interest in any given year with what the company actually pays on the preferential loan in that year. We determine what a company would pay a normal commercial lender by constructing a comparable commercial loan at the appropriate market rate (the benchmark) reflecting standard commercial terms. If the preferential loan is part of a broad, national lending program, we used a national average commercial interest rate as our benchmark. If the loan program is not generally available—like most large loans to respondent steel companies—the benchmark used instead, where available, is the company's actual commercial credit experience (*e.g.*, a contemporaneous loan to the company from a private commercial lender). If there were no similar loans, the national commercial loan rate is used as a substitute rate. Finally, where a national loan-based interest rate was not available, an average industrial bond rate was used as best evidence.

For loans denominated in a currency other than the currency of the country concerned in an investigation, the benchmark is selected from interest rates (either national or company-specific, as appropriate) applicable to loans denominated in the same currency as the loan under consideration (where possible, rates on loans in that currency in the country where the loan was obtained; otherwise, loans in that currency in other countries, as best evidence). The appropriate discount rate remains the risk-free rate as indicated by the secondary market rate for long-term debt obligations of the company's home country government. The subsidy for each year is calculated in the foreign currency and converted at an exchange rate applicable for each year.

After calculating the payment differential in each year of the loan, we then calculated the present value of this stream of benefits in the year the loan was made, using the risk-free rate (as described in the grants section of this appendix) as the discount rate. In other words, we determined the subsidy value of a preferential loan as if the benefits had been bestowed as a lump-sum grant in the year the loan was given. This amount was then allocated evenly over the life of the loan to yield the annual subsidy amounts. We did so with one exception: where the loan was given expressly for the purchase of a costly piece of capital equipment, the present value of the payment differential was allocated over the useful life of the capital equipment concerned.

For loans not tied to capital equipment with mortgage-type repayment schedules, this methodology results in annual subsidies equivalent to those calculated under the methodology previously employed by the Department whereby we considered the difference in total repayments in each year of a loan's lifetime to be the subsidy *in that year*. For loans with constant principal repayments (*i.e.*, declining total repayments), loans with deferral of repayments, and loans for costly capital equipment, the value method results in even allocations of the subsidy over the relevant period. This effectively front loads countervailing duties on these loan benefits in the same manner as grants are front loaded.

A loan guarantee by the government constitutes a subsidy to the extent the guarantee assures more favorable loan terms than for an unguaranteed loan. The subsidy amount is quantified in the same manner as for a preferential loan.

If a borrowing company preferentially received a payment holiday from a government lending institution or from a private lender at government direction, an additional subsidy arises that is separate from and in addition to the preferential interest rate benefit. The subsidy value of the payment holiday is measured in the same manner as for preferential loans, by comparing what the company pays versus what it would pay on a normal commercial loan in any given year. A payment holiday early in the life of a loan can result in such large loan payments near the end of its term that, during the final years, the loan recipient's annual payments on the subsidized loan may be greater than

they would have been on an unsubsidized loan. By reallocating the benefit over the entire life of the loan through the present value methodology described above, we avoid imposing countervailing duties in excess of the net subsidy. Where we have sufficient evidence that deferment of principal is a normal and/or customary lending practice in the country under consideration, then such deferral has not been considered as conferring an additional subsidy.

Loans and Loan Guarantees for Companies Considered Uncreditworthy

In a number of cases petitioners have alleged that certain respondent steel companies were uncreditworthy for purposes of these investigations at the time they received preferential loans for guarantees, and that they could not have obtained any commercial loan without government intervention.

Where the company under investigation has a history of deep or significant continuing losses, and diminishing (if any) access to private lenders, we generally agree with petitioners. This does not mean that such a company is totally uncreditworthy for all purposes. Virtually all companies can obtain limited credit, such as short-term supplier credits, no matter how precarious their financial situation. Our use of the term uncreditworthy means simply that the company in question would not, in our view, have been able to obtain comparable loans in the absence of government intervention. Accordingly, in these situations neither national nor company-specific market interest rates provide an appropriate benchmark since, by definition, an uncreditworthy company could not receive loans on these or any terms without government intervention. Nor have we been able to find any reasonable and practical basis for selecting a risk premium to be added to a national interest rate in order to establish an appropriate interest benchmark for companies considered uncreditworthy. Therefore, we continue to treat loans to an uncreditworthy company as an equity infusion by or at the direction of the government. We believe this treatment is justified by the great risk, very junior status, and low probability of repayment of these loans absent government intervention or direction. To the extent that principal and/or interest is actually paid on these loans, we have adjusted our subsidy calculation, which is performed using our equity methodology, infra, to reflect this. We have applied the rate of return shortfall (the amount by which the corporate rate of return on equity was lower than the national average rate of return on equity) only to the outstanding principal in the year which we are measuring subsidization. From this amount, we additionally substract any interest and fees paid in that year. Moreover, in no case do we countervail a loan subsidy to a creditworthy or uncreditworthy company more than if the government gave the principal as an outright grant.

Short-Term Credits

In all our cases, even the most financially troubled companies regularly receive short-term supplier credits. We find this type of debt different and easily distinguishable from the loans previously discussed. Where a company receives private-sourced supplier credits we have found this countervailable only where they were at preferential rates because of explicit government direction.

Where supplier credits were not given at a preferential rate directed by the government, we found no subsidy. Furthermore, since the risk involved and basis for giving supplier credits is qualitatively different than for long-term loans, we did not interpret the presence of supplier credits as an indication of creditworthiness.

Equity

Petitioners allege that government purchases of equity in respondent steel companies confer a subsidy equal to the entire amount of the equity purchased. Many respondents claim that such equity purchases are investments on commercial terms, and thus do not confer subsidies on these companies.

It is well settled that neither government equity ownership *per se*, nor any secondary benefit to the company reflecting the private market's reaction to government ownership, confers a subsidy. Government ownership confers a subsidy only when it is on terms inconsistent with commercial considerations. An equity subsidy potentially arises when the government makes equity infusions into a company which is sustaining deep or significant continuing losses and for which there does not appear to be any reasonable indication of a rapid recovery. If such losses have been incurred, then we consider from whom the equity was purchased and at what price, or, absent a market value for the equity, we examine the rate of return on the company's equity and compare it to the national average rate of return on equity.

If the government buys previously issued shares on a market or directly from shareholders rather than from the company, there is no subsidy to the company. This is true no matter what price the government pays, since any overpayment benefits only the prior shareholders and not the company.

If the government buys shares directly from the company (either a new issue or corporate treasury stock) and similar shares are traded in a market, a subsidy arises if the government pays more than the prevailing market price. The Department has a strong preference for measuring the subsidy by reference to a market price. This price, we believe, rightly incorporates private investors' perceptions of the company's future earning potential and worth. To avoid any effect on the market price resulting from the government's purchase or speculation in anticipation of such purchase, we used for comparison a market price on a date sufficiently preceding the government's action. Any amount of overpayment is treated as a grant to the company.

It is more difficult to judge the possible subsidy effects of direct government infusions of equity where there is no market price for the shares (as where, for example, the government is already sole owner of the company). Government equity participation can be a legitimate commercial venture. Often, however, as in many of these steel cases, equity infusions follow massive or continuing losses and are part of national government programs to sustain or rationalize an industry which otherwise would not be competitive. We respect the government's characterization of its infusion as equity in a commercial venture. However, to the extent in any year that the government realizes a rate of return on its equity investment in a particular company which is less than the average rate of return on equity investment for the country as a whole (thus including returns on both successful and unsuccessful investments), its equity infusion is considered to confer a subsidy. This "rate of return shortfall" (the difference between the company's rate of return on equity and the national average rate of return on equity) is multiplied by the original equity infusion (less any loss coverage to which the equity funds were applied) to yield the annual subsidy amount. Under no circumstances do we countervail in any year an amount greater than that which is calculated treating the government's equity infusion as an outright grant.

Forgiveness of Debt

Where we have found that the government has forgiven an outstanding

debt obligation, we have treated this as a grant to the company equal to the outstanding principal at the time of forgiveness. Where outstanding debt has been converted into equity (*i.e.*, the government receives shares in the company in return of eliminating debt obligations of the company), a subsidy may result. The existence and extent of such subsidies are determined by treating the conversions as an equity infusion in the amount of the remaining principal of the debt. We then calculate the value of the subsidy by using our equity methodology, *supra*.

Coal Assistance

As explained in detail in our notice of "Final Affirmative Countervailing Duty Determinations: Certain Steel Products from the Federal Republic of Germany" (47 FR 39345), we have analyzed and verified aspects of the German coal subsidy program as it applied to steel. Based upon the verified information in the records of these investigations, we have determined that this particular program does not confer a countervailable benefit on either non-German or German steel producers.

As we stated in some of the preliminary determinations reached on June 10 (47 FR 28309), benefits bestowed upon the manufacturer of an input do not flow down to the purchaser of that input if the sale is transacted at arm's length. In an arm's length transaction, the seller generally attempts to maximize its total revenue by charging as high a price and selling as large a volume as the market will bear.

The application of these principles to sales of German coal outside Germany is as follows. The records of these transactions show that the prices charged for subsidized German coal outside Germany certainly do not undercut the freely available merit prices. Therefore, non-German purchasers of subsidized German coal do not benefit from Germany coal subsidies.

In support of this conclusion, we note that if non-German steel procedures did benefit from German coal subsidies, they would attempt to purchase German coal rather than unsubsidized coal from other sources including the U.S., since there are no restrictions on their ability to do so. The fact that they purchase significant amounts of unsubsidized U.S. coal indicates that the subsidies on German coal do not flow to non-German coal consumers.

Moreover, it is extremely unlikely that the German government would significantly subsidize non-German coal consumers unless compelled to do so by obligations with respect to the European Communities.

Since there is no evidence of such obligation, we conclude that the German government is not in fact subsidizing non-German coal consumers.

For these reasons, we determine that non-German steel procedures do not benefit from subsidization of German coal.

Research and Development Grants and Loans

Grants and preferential loans awarded by a government to finance research that has broad application and yields results which are made publicly available do not confer subsidies. Programs of organizations or institutions established to finance research on problems affecting only a particular industry or group of industries (*e.g.*, metallurgical testing to find ways to make cold-rolled sheet easier to galvanize) and which yield results that are available only to producers in that country (or in a limited number of countries) confer a subsidy on the products which benefits from the results of the research and development (R&D). On the other hand, programs which provide funds for R&D in a wide range of industries are not countervailable even when a portion of the funds is provided to the steel sector.

Once we determine that a particular program is countervailable, we calculate the value of the subsidy by reference to the form in which the R&D was funded. An R&D grant is treated as an "untied" grant; a loan for R&D is treated as any other preferential loan.

Labor Subsidies

To be countervailable, a benefit program for workers must give preferential benefits to workers in a particular industry or in a particular targeted region. Whether the program preferentially benefits some workers as opposed to others is determined by looking at both program eligibility and participation. Even where provided to workers in specific industries, social welfare programs are countervailable only to the extent that they relieve the firm of costs it would ordinarily incur for example, a government's assumption of a firm's normal obligation partially to fund worker pensions.

Labor-related subsidies are generally conferred in the form of grants and are treated as untied grants for purposes of subsidy calculation. Where they are small and expensed by the company in the year received, we likewise allocated them only to the year of receipt. However, where they were more than one percent of gross revenues we allocated them over a longer period of time generally reflecting the program duration.

Comments by Parties to the Proceeding

- Grants

Comment 1: Respondents claim that the present value methodology used in these investigations does not provide a "real" value and that it is based on assumptions which do not reflect the realities of the manufacture of the products under investigation.

DOC Position: The present value concept is a widely recognized tool of financial and economic analysis. Its utility and necessity derive from the fact that money has a time value. For example, as stated above, $100 million today is considerably more valuable to a grant recipient than $10 million per year for the next ten years. To move a sum of money through time without adjusting the nominal amount would seriously understate the value of the money. So long as the present value (in the year of grant receipt) of the amounts allocated over time does not exceed the face value of the of the grant, the amount countervailed will not exceed the total net subsidy.

Comment 2: Petitioners argue that grants and preferential loans awarded expressly for the benefit of products not under investigation should also be considered countervailable benefits for the product(s) under investigation. They base their argument on the contention that aid thus received is fungible.

DOC Position: We have not viewed all aid received for any purpose by companies under investigation as fungible, and thus equally beneficial to all products made by the company in question. While the law clearly envisions reaching subsidies which benefit the product under investigation indirectly, as well as directly, it would distort and be inconsistent with the clear intent of the statute, as reflected in its legislative history, to allocate to products under investigation any portion of benefits clearly tied to products not under investigation. This is particularly true since we are compelled to allocate fully to the products actually being investigated any subsidies directly tied to them. To allocate tied subsidies fully to the products to which they are tied and simultaneously to allocate any part of the same subsidies to other products would result in double-counting, which would be inconsistent with both the Act and the Subsidies Code.

- Loans and Loan Guarantees for Companies Considered Uncreditworthy

Comment 3: Respondents argue that the Department's method of determining uncreditworthiness was unfair in that it was based on hindsight which was not available to a lender at the time it made a decision whether or not to provide funds to a company.

DOC Position: As outlined in each of these notices in which uncreditworthiness was found, all determinations as to the Creditworthiness of firms were based upon information reasonably available to a potential lender *at the time a loan was given.* For instance, although British Steel Corporation's financial results for the fiscal year 1976/77 were a major factor pointing to uncreditworthiness, in our final determinations were found uncreditworthy beginning in fiscal year 1977/78, when the lending community could reasonably have known of the weakness of the firm's financial position in the preceding year. This approach allows the potential lender time to evaluate its behavior in light of the changed circumstances of the firm.

Comment 4: Petitioners state that to the extent that the Department calculates the benefit from a loan to an uncreditworthy company as if it were a grant, failure to use a discount rate to reflect the greater risk of providing credit to uncreditworthy firms which could not borrow at any average or national rate leads to an understatement of the true value of the subsidy received.

DOC Position: We disagree. Although we used the average national debt rate as the discount rate in the preliminary determinations, we did not intend this to imply that the choice of the discount rate reflected our speculation as to the riskiness of the company or the cost of alternative financing. As discussed in the *Grants* section of this appendix, we view the discount rate as simply a financial tool to move money through time. It is not our intention to embed in this rate any project-specific risk or company risk. For this reason we are changing the discount rate used in these final determinations to the risk-free rate, a rate equally accessible to all companies (including very risky ones) country-wide.

• *Equity*

Comment 5: Respondents argue that premiums paid over market value of stock are common in takeovers where the objective is to gain control of a firm, and that therefore such a payment should not be considered a subsidy.

DOC Position: Payment of a premium over market value for stock (including where the objective is to gain control) is a special commercial circumstance which occurs under fairly unique conditions. Payment of such a premium for stock in a firm in weak or distressed financial condition is unlikely, for as a firm approaches near-bankruptcy, its market price of equity falls to the liquidation value range. Furthermore, it is highly unlikely for a control premium to be warranted when the government is the sole bidder for the troubled firm. Therefore in the absence of compelling evidence that a premium payment by a government was warranted and motivated by commercial conditions (as evidenced, for example, by similar competing private bids), the Department has a strong preference for measuring a subsidy by the difference between the market price of the stock and the stock price paid by the government. We believe that this market price correctly incorporates private investor's perceptions of the worth of the stock.

• *Coal Assistance*

Comment 6: Petitioners reject the Department's view that a party receiving a benefit on the production of its merchandise is not assumed to share that benefit with an unrelated purchaser. They maintain that a party may market its products at a lower price than it would be able to charge absent the subsidy in order to secure or hold on to a larger share of the market, and thus to increase its profitability by realizing lower unit costs and increased unit sales.

DOC Position: We agree that there is more than one way to seek to achieve maximum profitability. In these investigations, in fact, assistance to coal has been provided to enable some coal companies to sell below their cost of production. However, the German coal companies do not sell below the prices of coal as sold in Europe and elsewhere. In fact, German steel producers are required to pay a slight but significant premium for German coal. Under these circumstances, we disagree with petitioners' argument that German steel companies are indirectly subsidized through German coal subsidies.

Comment 7: Petitioners argue that the Department should have considered German coal subsidies to subsidize all steel companies purchasing that coal, both German and non-German, because the intent of the coal subsidies is to stabilize coal supplies to the ECSC steel industry and to insure that industry against the risk of adverse price developments on the world market. Petitioners claim that without this subsidized coal, the ECSC steel companies would have had to pay higher world market prices.

DOC Position: For the reasons indicated *supra*, we believe that it is too speculative to consider possible effects on world prices for coal in the hypothetical absence of German subsidization of its coal industry. However, if coal prices would rise in that event, we believe that they would rise throughout the world. We do not believe that prices would rise for European purchasers of coal rather than non-Europeans.

As also indicated in detail *supra*, we believe that the real economic effect of German subsidies is to penalize, not to assist, German steel companies. As a result of the German coal policy, German steel companies are required to pay a slight premium above the world market price for their coal purchases. Non-German purchasers of subsidized German coal similarly receive no demonstrable price advantage.

Comment 8: Petitioners argue that the ECSC and the FRG government, through an "intense program of coordinated subsidy financing," have assisted the German coal and steel industries in order to sustain production at cost efficient levels, in significant part by producing for export.

DOC Position: Although the arguments seem ambiguous, we believe that petitioners mean to imply that the German and ECSC coal assistance programs constitute an export subsidy for steel. If so, then we disagree, since in both cases coal assistance is provided without the establishment of any condition concerning the exportation of steel produced using that coal.

Comment 9: Petitioners object to the Department's alleged requirement that a subsidy on an input be demonstrated to confer an unfair competitive advantage. Petitioners imply that in so doing, the Department is usurping the jurisdiction of the International Trade Commission which is authorized to determine injury.

DOC Position: Under the Act, the Department is required to determine whether respondents have received subsidies within the meaning of the Act. To do so, the Department seeks to determine whether or not respondents have received directly or indirectly an economic benefit. Whereas this is relatively easy in the case of the direct bestowal of a grant, it is quite difficult with regard to indirect subsidies allegedly conferred through the subsidization of inputs used in a final product. In this more complex area, we believe it is required for the Department to consider whether there is an economic benefit to foreign manufacturers of an individual input. This is quite distinct from the ITC's determination whether imports of the final product into the United States

injure a U.S. industry. The Department therefore disagrees with petitioners on this issue.

Appendix 3.—Programs Administered by Organizations of the European Communities

I. The ECSC

On April 8, 1965, the three separate European communities—the European Coal and Steel Community (ECSC), the European Economic Community (EEC), and the European Atomic Energy Community—signed a treaty to merge into the European Communities (EC). Article 9 of the merger treaty established the Commission of the European Communities to take the place of the High Authority of each of the formerly independent institutions. The merger became effective in 1967.

The ECSC itself was established by the Treaty of Paris in 1951 to modernize production, improve quality, and assure a supply of coal and steel to the member countries. The Treaty of Paris governs all programs intended directly to affect the steel industry. Funds for these programs flow from two sources: (1) ECSC borrowings on international capital markets, and (2) the ECSC budget.

A. *ECSC Programs Determined To Be Subsidies.*—1. *ECSC Loan Guarantees.* Under Article 54 of the Treaty of Paris, the ECSC is authorized to guarantee loans from commercial lenders to coal and steel companies. Since these guarantees are intended specifically for the steel industry, we find the resulting benefits to be countervailable. The countervailable benefit is the difference between the interest rate charged by private lenders to commercial customers in the ordinary course of business and the rates available with an ECSC loan guarantee.

2. *Programs Funded Through ECSC Borrowings.* Because of its quasi-governmental nature, the ECSC is able to raise funds at interest rates lower than those which would be available on commercial terms to European steel companies. When the ECSC relends these borrowed funds to a company without increasing the interest rate, any difference between the lower rate passed on and the rate otherwise available to the steel company in the commercial financial market (the "benchmark") is a benefit to the company. For this reason, we determine that ECSC loans raised through capital market funding are countervailable insofar as they offer preferential interest rates (i.e., rates which would not be available on commercial terms) to steel companies. Consequently, any loan to a steel company involving ECSC funds borrowed on international capital markets, provided under an ECSC assistance program, confers countervailable benefits to the extent that the loan is made at a preferential interest rate.

a. *ECSC Industrial Investment Loans.* Article 54 of the Treaty of Paris authorizes the ECSC to provide loans to steel companies in member countries for reducing production costs, increasing production, or facilitating product marketing. Loans provided under this program are funded exclusively from ECSC borrowings on world capital markets. For the reasons discussed above, we reaffirm our preliminary determination that this program confers countervailable benefits to loan recipients to the extent that the interest rates are preferential.

b. *ECSC Industrial Reconversion Loans.* Under Article 56 of the Treaty of Paris, the ECSC provides loans to companies or public authorities for investments in new non-steel ventures in regions of declining steel industry activity. The goal of the loan program is to provide employment for former steel workers in new industries. In our preliminary determinations, we concluded that this program did not appear to benefit steel companies. Therefore, we preliminarily determined that it does not confer subsidies on steel. However, since our preliminary determinations, we verified that some industrial reconversion loans have been made for use in the iron and steel industry. Therefore, to the extent that such loans were made for steel production, they confer benefits on steel production generally or possibly on particular types of steel products if the loans were tied. Since this program is funded exclusively from ECSC borrowing on world capital markets, we determine, for the reasons discussed above, that these loans to steel producers confer subsidies on steel to the extent that the interest rates are preferential.

3. *Programs Funded Through the ECEC Budget.* With respect to programs funded by the ECSC budget, we preliminarily determined that they do not confer countervailable benefits because for 1971–1980 (the last year for which complete data were available) their total amount did not exceed total levies collected from coal and steel producers within the ECSC member states. Since our preliminary determinations were made we have verified the following facts about the composition of the ECSC budget:

- From 1952 through 1956, the ECSC budget was financed exclusively through producer-generated levies.
- From 1971 through 1977, the ECSC budget was financed exclusively through producer-generated levies, funds generated from unexpected levies, and other relatively small amounts obtained from steel companies (e.g., fines and late payment fees).
- Beginning in 1982, the member state contribution is to be used exclusively to fund one particular program, rehabilitation aid provided under Article 56 of the Treaty of Paris.

We continue to believe that programs funded by the ECSC budget through 1977 do not confer countervailable benefits.

However, since 1978 member state contributions have constituted a portion of the ECSC budget. Upon consideration of this newly available information, for the years 1978–1981 we believe it is more reasonable to assume that programs funded by the ECSC budget are subsidized to the extent that the budget derives from member state contributions. To assume to the contrary (i.e., that *all* program assistance derives from levies and levy-generated funds, and that member state contributions are used *exclusively* for expenses other than program assistance) is inappropriate unless member state contributions are expressly earmarked for particular programs. Accordingly, we have treated as a subsidy in 1981 a proportion of the benefits received under programs funded by the ECSC budget.

Although not relevant to the subsidies being determined and measured in these investigations, we note that for 1982, member state contributions have been so earmarked for one particular program, rehabilitation aid provided under Article 56 of the Treaty of Paris. If all member state contributions are expended in funding that program, other programs would then be funded by levies and levy-generated funds, not from member state contributions.

a. *ECSC Labor Assistance Rehabilitation Aids.* Under Article 56 of the Treaty of Paris, the ECSC provides matching grants to member states for programs that assist former steel workers currently unemployed or in training for a new trade. In our preliminary determinations, we implied that this assistance may confer a subsidy on the industries for which workers are newly trained, but decided that it does not confer a subsidy on steel. However, upon verification we learned that some, though not all of this assistance has been provided to retrain

workers for other jobs *within* the *same* industry; and to cover worker unemployment and early retirement expenses, for some of which the employing companies may have been legally responsible. If such assistance has been provided to retrain steel workers for new steel jobs, and/or to cover unemployment and early retirement expenses which steel companies would normally be required to pay, then it benefits the steel industry. To that extent, it is considered a subsidy in these investigations.

This program is funded from the ECSC budget. In view of the relatively small amounts concerned, we are expensing this assistance in the year it was received. Therefore, for purposes of these investigations, we are capturing only assistance provided in the period for which we are measuring subsidies (generally 1981). In 1982, member state contributions accounted for 20.05 percent of the ECSC budget. Therefore, for the reasons discussed above, 20.05 percent of the assistance under Article 56 provided to steel companies for programs benefitting steel production in 1981 constitutes a subsidy on the manufacture or production of steel.

b. *ECSC Interest Rebates.* i. Certain Article 54 industrial investment loans qualify for further interest reduction depending on whether they are for environmental projects, removal of industrial bottlenecks, promotion of steel industry competitiveness, or stabilization of coal production. The rebates generally reduce the interest expense for the first five years of the loan repayment schedule by three percentage points. The interest rebates are paid out of the ECSC budget. Therefore, we preliminarily determined that this program does not confer countervailable benefits.

ii. Certain Article 56 industrial reconversion loans qualify for further interest reductions. Like the interest rebates on Article 54 industrial investment loans, these rebates are paid out of the ECSC budget. In a few instances the underlying loans made under Article 56 benefit the products under investigation (most Article 56 loans were given to non-steel ventures).

For the reasons discussed above, we have now determined that both these programs described under (i) and (ii) above confer countervailable benefits to the extent that the ECSC budget in the year concerned is financed by member state contributions. In view of the relatively small amounts concerned, we are expensing this assistance in the year it was received. Therefore, for purposes of these investigations, we are capturing only assistance provided in the period for which we are measuring subsidies (generally 1981). In 1981, member state contributions accounted for 20.05 percent of the ECSC budget. Therefore, for the reasons discussed above, 20.05 percent of the assistance provided in 1981 consititues a subsidy on the manufacture or production of steel.

c. *ECSC coal and Coke Aids.* Petitioners have alleged that ECSC assistance to coal producers in EC countries constitutes an indirect benefit to steel producers purchasing that coal. In our preliminary determinations, we did not consider this program to confer countervailable benefits on steel. The basis for this conclusion was our understanding at that time that the ECSC coal aids are bestowed on all types of coal, used widely throughout many industries.

Therefore, we reasoned, the ECSC aids on coal cannot be intended to benefit, and do not benefit, the steel industry in particular; consequently, under section 1771(5)(B) of the Act, there is no subsidy to steel in these circumstances, even though steel producers in ECSC countries purchase some ECSC coal.

However, we have verified that, in fact, certain ECSC coal aids are bestowed exclusively on coking coal, which is used primarily by the iron and steel industry. Nonetheless, we continue to believe, for other reasons, that the ECSC coking coal aids do not confer a countervailable benefit on the manufacture or production of steel. We have no evidence that ECSC-assisted coking coal is sold to ECSC steel companies at prices less than the prices for other freely available coking coal produced in ECSC member countries but not assisted by the ECSC, or for freely available coking coal produced outside ECSC member countries. To the contrary, we have verified information that some coking coal is sold in Europe at prices below the prices of ECSC-assisted coking coal. This indicates that the coking coal subsidies to coal producers are not being passed along, in whole or in part, to steel producers purchasing that coal in arm's length transactions.

Where a subsidized coal producer and a steel producer are related companies, it is reasonable to question whether, in fact, the transfer price for coking coal is established on an arm's length basis. In general, our tests for whether the prices for coking coal charged to a related company were established on an arm's length basis include: (1) Whether the coal producer sold to its related steel producer at the prevailing price, and/or (2) whether the coal producers sold to its related steel producers and all other purchasers of coking coal at the same price.

B. *ECSC Programs Determined Not to Confer Subsidies.*—1. *ECSC Housing Loans for Workers.* Article 54(2) of the Treaty fo Paris authorized the ECSC to provide loans for residential housing for steel workers. In some cases these loan funds are provided directly to steel companies which relend them to their workers. In other cases, they are administered through financial institutions or housing authorities. These loans for the construction or purchase of homes are at highly concessionary one percent interest rates.

The preferential ECSC housing loans provide substantial benefits directly to steel workers. In our preliminary determinations, we assumed that they also indirectly benefit the employer steel companies by relieving them of certain labor wage costs. However, we have been unable to substantiate and verify this assumption. To the contrary, in many of the countries concerned there is a high rate of unemployment, which reduces upward pressure on wages. Moreover, we found no instance in which wage rates varied—depending upon the presence or absence of these mortgage loans to steel workers—either within a steel company or between steel companies. Since we have no firm basis for determining that the wage demands of steel workers would be responsive to the (non)availability of this mortgage subsidy, we conclude that the hypothetical benefits to their employer steel companies are too remote to be considered subsidies to these companies.

2. *ECSC R&D Grants and Loans.* a. Article 55 of the Treaty of Paris provides funding in the form of grants for up to 60 percent of an R&D project's cost. The projects must be for improvements in the production and use of coal and steel. On the ground that these grants are funded exclusively from the ECSC budget, we preliminarily determined that this program does not confer countervailable benefits.

For the reasons discussed above, we have decided to consider ECSC budget-funded programs as countervailable to the extent that the ECSC budget for the year concerned is financed by member state contributions. Nevertheless, because we have evidence that the results of the R&D are made publicly available, we have determined that this program does not confer countervailable benefits.

b. With respect to ECSE R&D loans—also made under Article 55 of the Treaty of Paris—we preliminarily determined that additional information was

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necessary; i.e., information as to how widely available the results of research are, and from which source the funds derive. Upon verification, we learned that the results of the research are made publicly available. Therefore, we determine that ECSC R&D loans do not confer countervailable benefits.

II. The European Investment Bank

The European Investment Bank (EIB) was created by the Treaty of Rome establishing the EEC to fund projects that serve regional needs in Europe. Article 130 of the Treaty of Rome authorized the EIB to make loans and guarantee financial projects in all sectors of the economy. These projects include the provision of funds to further the development of low income regions. Funds are drawn from debt instruments floated on world capital markets and from investment earnings. Because EIB loans are designed by charter to serve regional needs, we find them to be countervailable where the interest rate is less than the rate which would have been available commercially from a private lender without government intervention.

The EIB also provides loan guarantees to companies in EC member countries. Again, because this guarantee was available in some but not all regions, it is regarded as a countervailable benefit. These determinations remain unchanged from our treatment of this issue in our preliminary determinations.

III. The European Regional Development Fund

The European Regional Development Fund was established by the EEC to provide funding in the form of low-interest loans for industrial projects designed to correct regional imbalances within the EEC. The fund also awards interest subsidies on EIB loans.

We preliminarily determined that this program is not used by any of the manufacturers, producers or exporters for any of the products from countries under investigation. We confirmed this determination through our verification, so it remains unchanged.

Comments Received from Parties to the Proceeding.—Comment 1: Petitioners argue that the Department did not correctly interpret the term "subsidy" and did not countervail ECSC assistance programs to the extent that funds for these programs were derived from the ECSC budget.

DOC Position: As explained in detail *supra*, the Department has determined that ECSC budget-funded assistance is potentially countervailable to the extent that the ECSC budget for the year concerned is financed by Member State contributions.

Whether or not we found particular ECSC budget-funded assistance to confer a subsidy on the products subject to these investigations depended on other factors as well. For example, we found that the results of ECSC funded research and development projects were made publicly available, and therefore did not consider subsidies.

Comment 2: Petitioners argue that ECSC budget-funded assistance programs confer subsidies on ECSC steel producers despite levy financing of the budget, because the ECSC must borrow massively to supplement the levies.

DOC Position: As indicated in detail *supra*, to the extent that the ECSC budget in a given year is funded by Member State contributions, we consider any assistance funded generally from the budget in that year to be partially countervailable. Also as explained *supra*, to the extent that ECSC loans financed by ECSC borrowings on world capital markets are made to steel companies at preferential interest rates, we believe that they are countervailable.

Comment 3: Petitioners maintain that ECSC budget-funded programs confer subsidies even when financed through levy funding; that the ECSC borrows to finance its programs, and there is no delineation between the programs funded by the levy and the programs funded by debt.

DOC Position: As explained in detail *supra*, we agree that many (though not all ECSC) budget-funded programs confer some countervailable benefit if the assistance was provided in a year in which the ECSC budget was derived partially from Member State contributions. Where it can be shown that ECSC budget-funded assistance derives exclusively from levies and levy-generated funds ultimately derived from steel producers, no countervailable benefit is conferred upon steel producers by the return to them of their own funds. However, for the period of investigation we did not find that any program's funding derived could be shown to derive exclusively from levy financing.

Comment 4: Some petitioners have claimed that ECSC assistance funded by producer levies confers subsidies wherever an individual producer receives assistance in excess of levies paid by that producer.

DOC Position: As explained elsewhere in this Appendix and in Appendix 4, we do not consider ECSC budget-funded programs to confer subsidies on steel producers to the extent such programs are funded by producer levies. Our view is not affected by the degree to which individual producers which have contributed levies do not participate in or receive benefits from these programs. The producers probably should be viewed as pooling their resources, for their mutual benefit, to create and maintain certain programs which are available to all the producers. Over the relatively short period for which we are measuring subsidies, certain producers have more frequent occasion to use certain programs than other producers. In principle, this is not different from other types of cooperative behavior, such as jointly funded risk insurance, under which not all participants will have identical claims although all contribute equal premiums. Accordingly, insofar as producer levies are directly funding the programs, no subsidies can be said to arise from any apparent short-term disparity of benefits received.

Comment 5: Petitioners have challenged our preliminary determinations that benefits received under certain ECSC programs funded by ECSC coal and steel producer levies were not subsidies. They assert that, in reaching such a determination, we have allowed offsets from subsidies in a manner contrary to law.

DOC Position: We disagree with petitioners' characterization of the determination on this issue. To the extent that we have viewed benefits received under ECSC programs as attributable or allocable to producer levies, we find that no gross subsidy exits. No "offset" or reduction in subsidy amount is made, because the recipients of the program benefits are directly funding those benefits themselves and thus the ECSC is not creating a subsidy. This is not analogous to governmental benefits funded by general tax revenues, for the levies in question are—and since the inception of the levy system have been—strictly earmarked for the ECSC budget-funded programs for which they are, in fact, used. In reality, the ECSC acts as no more than the administrator and distributor of levies collected, and does so under such tight restrictions as to preclude the conclusion that the return of levy funds to the producers gives rise to a gross subsidy.

Appendix 4.—General and GATT-Related Issues

• *General Issues*

Comment 1: Petitioners contend that many of the conclusions in our preliminary determinations were erroneous insofar as they found that

particular programs of general applicability and availability within a country do not give rise to domestic subsidies. They assert that subsidies must be found to exist from any governmental programs providing benefits, regardless whether those programs are generally available.

DOC Position: Section 771(5) of the Act, in describing governmental benefits which should be viewed as domestic subsidies under the law, clearly limits such subsidies to those provided "to a specific enterprise or industry, or group of enterprises or industries." We have followed this statutory standard consistently, finding countervailable only the benefits from those programs which are applicable and available only to one company or industry, a limited group of companies or industries, or companies or industries located within a limited region or regions within a country. This standard for domestic subsidies is clearly distinguishable from that for export subsidies, which are countervailable regardless of their availability within the country of exportation. We view the word "specific" in the statutory definition as necessarily modifying both "enterprise or industry" and "group of enterprises or industries". If Congress had intended programs of general applicability to be countervailable, this language would be superfluous and different language easily could and would have been used. All governments operate programs of benefit to all industries, such as internal transportation facilities or generally applicable tax rules. We do not believe that the Congress intended us to countervail such programs. Further, our conclusion is supported by the clear Congressional intent that "subsidy" be given the same meaning as "bounty or grant" under section 303 of the Act. Never in the history of the administration of this law or section 303 of the Act has a generally available program providing benefits to all production of a product, regardless of whether it is exported, been considered to give rise to a subsidy or a bounty or grant. In enacting the Trade Agreements Act of 1979, Congress specifically endorsed that interpretation of section 303. Finally, the fact that the list of subsidies in section 771(5) is not an exclusive one in no way compels the conclusion that domestic benefits of general availability must or can be considered subsidies. Indeed, in view of the statute and its legislative and administrative history, we doubt that we are free to treat such generally available benefits of domestic programs as subsidies; certainly we are not compelled to do so.

Comment 2: Petitioners contend that our preliminary negative determinations regarding critical circumstances were erroneous. They allege that, in determining whether imports were "massive" within the meaning of section 703(e) of the Act, we acted inconsistently with the law and past practice by examining imports in the period subsequent, rather than prior, to initiation of these cases, thereby denying petitioners the ability to provide adequate documentation to support their allegations. They also disagree with our characterization of the import levels as not being massive.

DOC Position: This issue is moot. Under section 703(e) of the Act, in order to determine that critical circumstances exist, we must determine that "(A) the alleged subsidy is inconsistent with the Agreement, and (B) there have been massive imports of the class or kind of merchandise which is the subject of the investigation over a relatively short period." Section 355.29(e) of the Commerce Regulations (19 CFR 355.29(e)) on critical circumstances provides, *inter alia*, that we will determine "whether the alleged subsidy is an *export* subsidy inconsistent with the Agreement" (emphasis added). For purposes of this law, then, under existing regulations, a subsidy may be viewed as inconsistent with the Agreement only if it is an export subsidy. Since all of the subsidies determined to exist in the cases in which we are issuing final determinations in these notices are domestic, rather than export, subsidies, we are precluded from determining that critical circumstances exist in any of these cases.

Comment 3: Some respondents claim that our adoption in the preliminary determinations of a number of new methodologies for the ascertainment and calculation of subsidies was procedurally deficient as a matter of law. They assert that these new methodologies conflict with past practice and, therefore, cannot be implemented in any case before rulemaking procedures have been completed, which procedures would have to provide published notice of proposed changes and opportunity to comment.

DOC Position: We do not agree that the methodologies employed in these cases have to be the subject of rulemaking procedures or that such methodologies could not be employed until such procedures have been completed. The adoption of these methodologies is neither rulemaking nor adjudication within the meaning of the Administrative Procedures Act. Some of the methodologies employed cannot be said to be in conflict with any past practice under sections 701 or 303 of the Act, for they address issues and factual situations which, to the best of our knowledge, have not previously been encountered. Others, such as the present value methodology of valuing money over time, do represent a departure from past methods for determining the existence or size of subsidies. However, the prior practice, with which the methodology used in these cases has been alleged to be inconsistent has never been prescribed in the Commerce Regulations or, before that, the Customs Regulations.

Decisions as to the use of such methodologies are not matters requiring rulemaking procedures, but are questions of policy left to the judgment and discretion of the Department and decided on a case-by-case basis, applying the law, as we understand its requirements and intent, to the facts of each case. While the Department could prescribe such methodologies in its regulations, we have not chosen to do so. Unless and until that occurs, no rulemaking procedures can be considered necessary before changing prior methodologies. At the outset of these investigations, respondents may have anticipated that certain prior methodologies would be employed in place of ones actually used, but they have no legal right to the maintenance of such prior practices.

Further, our preliminary determinations and subsequent disclosures to all interested parties fully explained these methodologies and each respondent took advantage of its opportunity to comment upon them, both orally and in writing. We took all of these comments fully into account in reaching our final determinations. As such, each respondent fully participated in the decision-making process to the extent of its legal rights, and cannot properly be viewed as having been denied any such rights. Moreover, there is no substantial evidence in the record in any of these cases which would support a conclusion that the respondent governments, when establishing or administering the programs investigated, relied to their detriment on prior methodologies. Indeed, it would be difficult to conclude that these governments in any way considered the possible consequence under the U.S. countervailing duty law before taking the actions which resulted in

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countervailable benefits to the products under investigation.

Comment 4: Some respondents contend that many of the benefits received by the steel companies investigated, such as aids for restructuring, are directly analogous to procedures and benefits common to bankruptcy proceedings. As such, they are consistent with normal commercial considerations and should not be considered subsidies.

DOC Position: No respondent has furnished us any evidence that it has been subject to formal bankruptcy proceedings, or that its restructuring or other procedures actually employed remotely resemble normal bankruptcy procedure in its country. In the absence of any such evidence the contention of respondents is entirely too speculative a basis upon which to base a determination in these cases.

• *Gatt-Related Issues*

Comment 5: The European Communities (EC) assert that in order for a countervailable subsidy to exist under the GATT, there must be a charge on the public account. In support of this contention, the EC cites in particular item (1) of the Illustrative List of Export Subsidies (the List), included as an annex to the Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement on Tariffs and Trade (the Code). Item (1) of the List defines as an export subsidy, "Any other charge on the public account constituting an export subsidy in the sense of Article XVI of the General Agreement."

DOC Position: Item (1) does not limit the definition of subsidy to a charge on the public account, but rather makes clear that such a charge is included in the universe of subsidies which constitute on their face prohibited export subsidies. Items (c) and (d) of the List show that preferential treatment for exports, without regard to a charge on the public account, can also constitute a subsidy on its face. These items define as subsidies:

(c) Internal transport and freight charges on export shipments, provided or mandated by governments, on terms more favorable than for domestic shipments.

(d) The delivery by governments or their agencies of imported or domestic products or services for use in the production of exported goods, on terms or conditions more favorable than for delivery of like or directly competitive products or services for use in the production of goods for domestic consumption, if (in the case of products) such terms or conditions are more favorable than those commercially available on world markets to their exporters.

Item (1), cited by the EC, derives from the original illustrative list of subsidies of 1960, which represented an agreed interpretation of Article XVI:4 of the GATT. However, the department notes that this list also includes items (c) and (d) of the current List. Since the negotiation of Article XVI:4 in the 1950s, there has never been a consensus a on an interpretation such as that advanced by the EC. Rather, it has been generally accepted that the range of activities covered by the term subsidy as used in the GATT is quite broad, including charges on the public account as well as certain activities which do not necessarily invoive such a charge.

Comment 6: The EC argues that subsidies other than export subsidies cannot be considered countervailable under the Code unless such subsidies "(a)dversely affect the conditions of normal competition. In the absence of any such distortion, subsidies, other than export subsidies, are recognized as important instruments for the promotion of social and economic policy objectives against which no action is envisaged by the Code." The EC further argues that the Department considered regional aids countervailable "(w)ithout taking into consideration any disadvantages incurred by companies having to operate in economically retarded and remote areas. * * * This approach does not take into account, that under GATT and the Code countervailable subsidies are only those, which adversely affect the conditions of normal competition." In support of this contention, the EC cites Article 11 of the Code, "Subsidies Other Than Export Subsidies."

DOC Position: The language of Article 11 does not prejudice the right of any signatory to the Code to countervail against non-export subsidies. The language of the Article is the result of compromise between the United States and the EC at the time of the negotiation of the Code: the United States proposed to include an illustrative list of domestic subsidies, while the EC position was that such subsidies should not be considered countervailable. The Department notes that, while no list of domestic subsidies was incorporated *per se* in the Code, examples of such subsidies are included in Article 11. In contrast, the position of the EC was not adopted, as no such prohibition regarding the countervailability of domestic subsidies appears in the Code. The fact that certain subsidies are not prohibited by the Code is not relevant to a determination as to whether such subsidies confer a countervailable benefit in a specific case.

In addition, the Department notes that Article 11:3 of the Code states, "(t)he above form of (non-export) subsidies are normally granted either regionally or by sector." Article 11:2 states:

"Signatories recognize, however, that subsidies other than export subsidies * * * may cause or threaten to cause injury to a domestic industry of another signatory or serious prejudice to the interests of another signatory or may nullify or impair benefits accruing to another signatory under the General Agreement, in particular where such subsidies would adversely affect the conditions of normal competition. Signatories shall therefore seek to avoid causing such effects through the use of subsidies. In particular, signatories when drawing up their policies and practices in this field, in addition to evaluating the essential internal objectives to be achieved, shall also weigh, as far as practicable, possible adverse effects on trade. They shall also consider the conditions of world trade the production (e.g. price, capacity utilization, and supply of the product concerned).

While there is no agreed definition of the term "normal competition" in the context of the GATT, the term can reasonably be construed to include comparative advantage, a concept about which little, if any, serious dispute exists among economists. The argument of the EC flows against the logic of comparative advantage. Subsidies used to alter the comparative advantage of certain regions with respect to the production of a certain product or products are by definition distortive of trade and the allocation of resources, and, therefore, must affect normal competition, including competition with producers in the market of the importing country. There is no evidence that the governments of the countries in question, with regard to most of the programs and benefits under consideration, specifically sought to avoid causing injury to the domestic industries of other Code signatories, or even considered possible adverse effects on trade, as required by Article 11:2.

Finally the Department notes that Article 4 of the Code, "Imposition of countervailing duties", makes no distinction between domestic and export subsidies.

Comment 7: In objecting to the methodology used by the Department to calculate the subsidies found to exist by virtue of grants, preferential loans and loan guarantees (*See* Appendix 2,

Methodology), the EC argues that "Article VI of the GATT provides that a countervailing duty may not exceed the amount of subsidy 'determined to have been *granted*'. The use of the word 'granted' rather than 'received' and the absence of any reference to 'value' or 'benefit' indicates clearly that the countervailable amount is the financial contribution of the government rather than the much more nebulous benefit to the recipient." (Emphasis in the EC brief).

DOC Position: The position of the Department with respect to the need for a specific financial contribution of the government is discussed above. With respect to the calculation of the amount of the subsidy, the Department believes that the use of the word "granted" in Article VI:3 does not control the question of calculation of the amount of a subsidy, but merely refers to the existence of the subsidy. In fact, as the EC itself notes, Footnote 15 to the Code states, "An understanding among signatories should be developed setting out the criteria for the calculation of the amount of subsidy." Were the amount of subsidy always equal to a charge on the public account, such an understanding would be unnecessary.

Article 4:2 of the Code states that "[n]o countervailing duty shall be levied on any imported product in excess of the amount of the subsidy found to exist * * *." The position of the Department is that the subsidy is the benefit received by the producer or exporter. In no way does the language of Article 4 of the Code or Article VI of the GATT mandate a methodology to be used by signatories in the calculation of a subsidy as long as no consensus to the contrary exists (as referred to in Footnote 15). As a matter of general interpretation of the Code and the GATT, the omission of language dealing with a specific issue must be seen as a purposeful decision on the part of the signatories to leave the question open (see Comment 8 and DOC Position, below).

Comment 8: The EC has criticized the Department for making unilateral interpretations of various provisions of the Code, in particular with respect to determinations as to whether certain specific practices are subsidies and with respect to the methodologies employed in calculating the value of a subsidy.

DOC Position: The Department will follow, as far as U.S. law permits, the mandatory provisions of the Code, as well as any interpretations on which a consensus exists among all Code signatories including the United States. However, the Code does *not* require inaction by signatories with regard to areas not clearly covered by the Code or by agreed interpretations of the Code. Such a requirement would be inconsistent with practice under the GATT as it has developed since its inception in 1947. The fact that the Code is silent with respect to whether a specific practice constitutes a subsidy does not mean that no signatory may make a determination with respect to that practice in the course of a proceeding. The fact that the signatories have not agreed on a methodology for the calculation of the amount of a subsidy does not mean that no signatory may adopt a methodology in the absence of such agreement, since the inability to calculate the amount of the subsidy found to exist would clearly frustrate the intent of the Code and the GATT.

Comment 9: The EC objects to the Department's use of average return on investment as a measure of the commercial rasonableness of a government infusion of equity in the absence of a market price for shares. The EC argues that "(i)t follows from the GATT that the decisive criterion is the cost to the Government and therefore the investment should be treated as a long-term loan by the Government and the long-term return should be measured against the rate at which the Government borrowed money to make the investment."

DOC Position: The Code notes in Article 11:3 that possible forms of non-export subsidies include "(g)overnment subscription to, or provision of, equity capital." However, the Code and the GATT are silent on the question of precisely when such activity does constitute a subsidy and, where found, how such a subsidy should be calculated. The position of the EC with respect to this issue turns on defining a subsidy as the cost to the government. As discussed above in the response to Comment 8, the Department rejects this position. In any event, the equity infusions in question were not long-term and had no provisions for repayment. Accordingly, it is not possible to conclude that the decision of the Department is inconsistent with the GATT or the Code (see Appendix 2 for a discussion of the methodology employed by the Department with respect to equity infusions).

Comment 10: The EC avers that "(t)his distinction (between creditworthy and uncreditworthy companies) is a complete innovation and is not provided for anywhere in the GATT. Since that GATT criterion for the determination of a subsidy is the financial contribution of the government, the creditworthiness of the companies is irrelevant."

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DOC Position: The fact that the GATT does not address this issue specifically does not preclude consideration of the issue where it arises in the course of a proceeding. As discussed above, the Department does not agree that the only criterion for the determination of the existence of a subsidy under the GATT is the financial contribution of the government. Therefore, the question of the creditworthiness of a borrower is relevant because a loan to a company unable otherwise to obtain credit is a greater benefit to that company than a comparable loan to a company which is able to obtain financing on its own.

Comment 11: The EC argues that the Code must be interpreted in its entirety, and that the various provisions must be considered in relation to each other. In particular, the EC emphasizes that the List prescribes by implication the manner in which subsidies must be determined to exist and must be calculated.

DOC Position: The Department agrees that the Code must be interpreted as a whole. This includes the Code's distinction between subsidies which are prohibited *per se* and subsidies which are prohibited only under certain circumstances. The subsidies which are enumerated in the List are prohibited *per se* under Article 9, and, hence, actionable under "Track II", as provided for under Articles 12, 13, 17 and 18. As its title implies, the List is *illustrative* of the types of practices which constitute grounds for the invocation of Track II dispute settlement procedures.

The list is thus descriptive of *prohibited* practices, not dispositive of the calculation of the value of any subsidy conferred under any particular practice. Thus there is no inconsistency between the Department's calculation of benefits conferred by export subsidies compared with benefits conferred under domestic programs, since the Department employs uniform methodologies without regard to any distinction between the two types of subsidies.

Comment 12: The EC states that "Appendix B (of the Preliminary Determinations) contains a disturbing assertion: 'In the absence of special circumstances, a party receiving a benefit on the production of its merchandise *is not assumed to share a benefit with an unrelated purchaser.*' (47 FR 26307, 26309 (1982) emphasis supplied.) The implication is that the existence of a countervailable subsidy, i.e., 'benefit' can be assumed in certain circumstances * * *." The EC asserts that the Code requires that the elements necessary for the imposition of

countervailing duties be established by positive factual evidence. Further, the EC adds that "(t)he only instance in which Title VII permits a presumption is under section 771(7)(E)(i) * * *."

DOC Position: The Department agrees that determinations as to the existence of a subsidy should be based on verified facts. However, this is possible only insofar as the facts are made available to the Department during the course of a proceeding. As a matter of normal procedure, the Department requests information from all interested parties, including the foreign government involved, in order to establish the facts upon which its determinations may be based. The Department followed this procedure in the instant cases. In those instances where the Department has been forced to make a determination on the basis of incomplete information, the responsibility rests with the interested parties who, despite the requests of the Department, failed to provide such information to the Department in a timely manner.

Where incomplete information has formed the basis of decisions of the Department in particular cases, there is no contravention of the obligations of the Department with respect to the Code or the statute. Article 2 9 of the Code provides:

In cases in which any interested party or signatory refuses access to, or otherwise does not provide, necessary information within a reasonable period or significantly impedes the investigation, preliminary and final findings, affirmative or negative, may be made on the basis of the facts available." Furthermore, Section 776(b) of the Act provides:

"In making their determinations under this title, the administering authority and the Commission shall, whenever a party or any other person refuses or is unable to produce information requested in a timely manner and in the form required, or otherwise significantly impedes an investigation, use the best information otherwise available."

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subsidies within the meaning of the countervailing duty law are being provided to manufacturers, producers, or exporters in France of carbon steel wire rod, as described in the "Scope of the Investigation" section of this notice. However, the estimated net subsidy for Normandie on wire rod is *de minimis*. Therefore, the suspension of liquidation ordered in our preliminary affirmative countervailing duty determination concerning wire rod from Normandie shall be terminated. All estimated countervailing duties shall be refunded and all appropriate bonds shall be released. The estimated net subsidy for Sacilor is indicated under the "Suspension of Liquidation" section of this notice. The U.S. International Trade Commission (ITC) will determine within 45 days of the publication of this notice whether these imports are materially injuring, or threatening to materially injure, a U.S. industry.

EFFECTIVE DATE: September 27, 1982.

FOR FURTHER INFORMATION CONTACT: Nicholas C. Tolerico, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230, telephone: (202) 377-4036.

SUPPLEMENTARY INFORMATION:

Final Determination

Based upon our investigation, we have determined that certain benefits which constitute subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act), are being provided to manufacturers, producers, or exporters in France of carbon steel wire rod, as described in the "Scope of Investigation" section of this notice. The following programs are found to confer subsidies:

- Preferential financing including equity infusions
- Grants
- Certain labor-related aid
- Research and development

We determine the net subsidy to be the amount indicated for each firm in the "Suspension of Liquidation" section of this notice.

Case History

On February 8, 1982, we received a petition from counsel for Atlantic Steel Corp., Georgetown Steel Corp., Georgetown Texas Steel Corp., Keystone Consolidated, Inc., Korf Industries, Inc., Penn-Dixie Steel Corp., and Raritan River Steel Co., filed on behalf of the U.S. industry producing carbon steel wire rod. The petitioners alleged that certain benefits which constitute subsidies within the meaning of section 701 of the Act are being provided, directly or indirectly, to the manufacturers, producers, or exporters in France of carbon steel wire rod. Counsel for petitioners alleged that "critical circumstances" exist, as defined in section 703(e) of the Act. We found the petitions to contain sufficient grounds upon which to initiate a countervailing duty investigation, and on March 1, 1982, we initiated a countervailing duty investigation (47 FR 5739).

Since France is a "country under the Agreement" within the meaning of section 701(b) of the Act, an injury determination is required for this investigation. Therefore, we notified the ITC of our initiation. On March 26, 1982, the ITC preliminarily determined that there is a reasonable indication that imports of carbon steel wire rod from France are materially injuring, or threatening to materially injure, a U.S. industry (47 FR 13927). We presented questionnaires concerning the allegations to the Delegation of the Commission of the European Communities and to the government of France in Washington, D.C. On May 7, 1982, we received the responses to the questionnaires. A supplemental response was received on may 25, 1982. On July 8, 1982, we issued our preliminary determination in this investigation (47 FR 30553). This stated that the government of France was providing its manufacturers, producers, or exporters of carbon steel wire rod with benefits which constitute subsidies. The programs preliminarily determined to bestow countervailable benefits were:

- Export credit insurance
- Preferential financing including equity infusions
- Grants
- Regional development incentives
- Certain labor-related aid
- ECSC worker housing loans
- Research and development

Scope of the Investigation

For the purpose of this investigation, the term "carbon steel wire rod" covers a coiled, semi-finished, hot-rolled carbon steel product of approximately round solid cross section, not under 0.02 inch nor over 0.74 inch in diameter, not tempered, not treated, and not partly manufactured, and valued over 4 cents per pound, as currently provided for in item 607.17 of the *Tariff Schedules of the United States*.

Société des Aciéries et Laminoirs de Lorraine ("Sacilor"), Société Metallurgique de Normandie ("Normandie"), and Union Siderurgique du Nord et de l'Est de la France

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Final Affirmative Countervailing Duty Determination: Carbon Steel Wire Rod From France

AGENCY: International Trade Administration, Commerce.

ACTION: Final Affirmative Countervailing Duty Determination: Carbon Steel Wire Rod from France.

SUMMARY: We have determined that certain benefits which constitute

("Usinor") are the only known producers in France of the subject product exported to the United States.

The period for which we are measuring subsidization is the 1981 calendar year. Sacilor and Normandie, which produced and exported carbon steel wire rod to the United States in 1981, operate by calendar year. Usinor did not export carbon steel wire rod to the United States in 1981, and therefore was not sent a questionnaire.

Analysis of Programs

In their responses, the government of France and the Delegation of the Commission of the European Communities provided data for the applicable periods. Additionally, we received information from Sacilor and Normandie.

Sacilor owns a substantial number of shares in Société Lorraine de Laminage Continu (Sollac), which produces steel products, but does not produce wire rod. Sacilor's capital ownership of Sollac is 84.29 percent.

Sollac, in turn, owns 50 percent of Société Lorraine et Méridionale de Laminage Continu (Solmer), which also produces various steel products but not wire rod.

Benefits to Sacilor as a corporate entity except for loss coverage and debt cancellation are allocated over the value of Sacilor's total steel sales, which include its share of Sollac's and Solmer's production. Benefits to Sacilor for loss coverage and debt cancellation are allocated over total corporate sales.

Mines de Soumont (Soumont) is Normandie's wholly-owned iron-mining facility. Soumont sells its entire iron ore production to Normandie at cost. Soumont, therefore, does not function as an independent, profit-seeking company, but instead exists only to provide an essential raw material to Normandie. Therefore, preferential loans and grants to Soumont constitute countervailable benefits to Normandie, and such benefits are allocated over the total value of Normandie's steel production.

Throughout this notice, general principles and conclusions of law applied by the Department of Commerce to the facts of the current investigation concerning carbon steel wire rod are described in detail in Appendices 2–4, which appear with the notice of "Final Affirmative Countervailing Duty Determination: Carbon Steel Wire Rod from Belgium," in this issue of the Federal Register.

Based upon our analysis of the petition, responses to our questionnaires, and our verification and oral and written comments by interested parties, we determine the following:

I. Programs Determined To Confer Subsidies

We have determined that subsidies are being provided under the programs listed below to manufacturers, producers, or exporters in France of carbon steel wire rod.

A. Preferential Financing Including Equity Infusions

Petitioners alleged preferential financing in the form of low-interest loans and loan guarantees, and the conversion of accumulated debt into Loans of Special Characteristics.

A number of organizations of the French government and of the European Communities (EC) have issued loans and/or loan guarantees to the French steel industry. The majority of these loans were provided by the following institutions:

• *Fonds de Développement Economique et Social (FDES)*

Created by the French Parliament in 1955, FDES is a fund which provides loans to businesses and corporations in order to further the French government's economic, social, industrial, and regional development objectives. The fund, which is actually a line item in the French government budget, is approved every year by Parliament.

As FDES is not an organization but rather a budgetary item, it is administered by the Ministry of Finance. Loan applications are filed with the Ministry of Finance, but the decision to issue a loan rests with the FDES Board, which is composed of government ministers and career civil servants whose agencies are involved in economic policy.

A semi-public financial institution, Credit National, disburses FDES funds to recipients approved by the Ministry of Finance (see discussion on Crédit National below).

FDES loans are always part of a global financial package, as other lenders, such as government credit institutions and public and private banks, participate in the funding of a project (an FDES loan never covers the entire cost of a project). Usually, loans are secured by a mortgage or a pledge. We were advised by the government of France that FDES lending rates were consistently lower than commercial rates.

There is some evidence which suggests that FDES loans are available to all industries and regions. At verification, we requested French government authorities to provide sample FDES loan applications and agreements, and to specify the criteria on which these loans were actually granted. The French government was unwilling to provide this information. In light of this refusal, we cannot conclude that these loans were generally available. Therefore, we consider these loans to confer subsidies within the meaning of the countervailing duty law to the extent that they were provided at preferential, below-market rates.

• *Crédit National (CN)*

Crédit National is a semi-public credit institution with special legal status, which issues medium- and long-term loans to French industry, including the steel industry. Loans funds are raised by offering bonds in the public marketplace. These bonds are guaranteed by the government of France.

Crédit National acted as the conduit through which FDES loans were granted to the steel industry. The French government, either directly or through Crédit National, also guarantees some loans to the steel companies. In addition, Crédit National has participated in bank loans to the steel industry through means such as the provision of rediscount privileges to the banks, which in effect constitute a guarantee.

In most cases, Crédit National acts only as part of a loan syndicate. The terms of any loans Crédit National makes on behalf of the French government are set by the French government. We verified that CN loans to the French steel industry were made with government backing and that Crédit National's operating budget is financed by the French government.

There is some evidence suggesting that CN loans are available to all industries and regions. At verification, we requested French government authorities to arrange a meeting with CN officials, to provide sample loan applications, and to specify the criteria on which these loans were actually granted. Since these requests were refused, we were unable to establish that these loans were not given at the direction of the government of France or that CN loans are generally available. Therefore, we consider these loans to confer subsidies within the meaning of the countervailing duty law, to the extent that they are provided at preferential, below-market rates. Similarly, we find the bank loans in which Crédit National participated to confer subsidies within the meaning of the countervailing duty law to the extent that they were provided at preferential, below-market rates.

• *Caisse des Dépôts et Consignations (CDC)*

CDC is a government institution that invests funds deposited in the Caisses d'Epargne (the French savings banks), pension funds, and insurance company deposits. CDC makes both short- and long-term loans to various industries, including steel. During verification, we requested an interview with CDC from French government officials, in order to determine whether CDC loans were generally available. This request was refused. Therefore, we were unable to establish that CDC loans were not given to the steel industry in particular at the specific direction of the government. In light of the above, we cannot conclude that CDC loans were generally available. Therefore, we consider these loans to confer subsidies within the meaning of the countervailing duty law to the extent that they were provided at preferential, below-market rates.

• *European Coal and Steel Community (ECSC) and European Investment Bank (EIB) Loans and Loan Guarantees*

For the reasons discussed in Appendix 3, ECSC industrial investment loans and guarantees and EIB loans and loan guarantees confer countervailable benefits to the extent that the loan was made at a preferential interest rate, or that the guarantee enabled the loan recipient to obtain a preferential interest rate.

• *Groupement de l'Industrie Sidérurgique (GIS)*

GIS was founded in 1948 as a corporation whose sole shareholders were 45 steel companies. The purpose of GIS was to raise money for capital projects of the steel companies. By floating debt instruments in the public marketplace, GIS raised monies to lend to the companies at a rate equal to the rate being paid on bonds issued to the public, plus operating expenses. Five percent of the funds received were left on deposit with GIS to cover individual steel company defaults. Funds were raised in France, other EC countries, and abroad. GIS bonds are backed by unconditional guarantees of the companies, with each company being liable to the bondholders for the sums loaned to it by GIS. No loans have been issued by GIS since 1978, and no principal from previous loans remained outstanding on the steel companies' books in 1981.

• *Specialized Financial Institutions*

A number of private, cooperative financial institutions emerged after World War II to raise capital for various sectors of French industry. By floating bond issues, these cooperative institutions raised capital and made loans to their member companies, including steel companies. Since 1978, none of these institutions has floated bonds or loaned funds to the steel industry. These institutions include:

—Groupement Interprofessionnel Financier Antipollution (GIFIAP): environmental protection;
—Groupement pour le Financement de la Région de Fos (GIFOS): development of the Fos area near Marseille;
—Groupement des Industries de Matériaux de Construction (GIMAT): construction materials;
—Groupement pour le Financement des Economies d'Energie (GENERCO): energy conservation;
—Groupement d'Equipement pour le Traitement des Minerais de Fer (GETRAFER): processing of iron ore.

Because these are private, cooperative institutions that issued loans at non-preferential rates, we find that those loans issued prior to 1978 with principal still outstanding in 1981 do not confer any countervailable benefits.

Our treatment of loans and loan guarantees provided at preferential rates by FDES, Crédit National, bank syndicates in which Crédit National participated, CDC, the ECSC and the EIB is outlined in sections d (i) and (ii) below. Because loans from the GIS and the other specialized financial institutions were not issued after 1978, we did not find them countervailable except when they were converted into Loans of Special Characteristics ("Prêts à Caractéristiques Spéciales" or PACS), as outlined in section d (iii).

We have discussed preferential financing conferred upon Normandie and Sacilor separately as follows:

1. *Sacilor.* a. *The 1978 Rescue Plan.* By 1978, the French steel industry had been experiencing severe financial difficulties for a number of years. Sacilor was unable to pay its debts. In September 1978, the government of France instituted a major recapitalization and restructuring program for the steel industry, hereinafter referred to as the "Rescue Plan."

A primary financial goal of the restructuring was the reduction of the company's debt service burden. This was accomplished in three ways.

First, the banks refunded a certain amount of interest to Sacilor over a five-year period beginning in 1978. Because these refunds were provided under the government-directed Rescue Plan, and were grants to a specific enterprise, we determine that they confer countervailable benefits. For our treatment of these refunds, refer to section d(iv).

Second, the private holding company Marine-Wendel cancelled a portion of Sacilor's debt. Because this forgiveness of debt was provided at the direction of the government, we determine that it confers a countervailable benefit. For our treatment of this debt, see section d (v).

Third, the loans from Crédit National, FDES, the Caisse des Dépôts et Consignations, the GIS, and the other specialized financial institutions, were also converted into PACS. Marine-Wendel converted a portion of its loans to Sacilor into PACS. The PACS bear an interest rate of 0.1 percent until 1983, when they are scheduled to be renegotiated. Principal repayments are suspended until 1983 or whenever the company returns to profitability, whichever is sooner. In addition to the initial 1978 conversions, PACS were also issued between 1979 and 1981. Under the Rescue Plan, Sacilor services both the PACS and other debt owed to Marine-Wendel, CDC, and the FDES. The French government created two institutions to service the debt, including PACS, owed to the remaining lenders. These institutions are the Caisse d'Amortissement pour l'Acier (CAPA), and the Groupement des Emprunts Collectifs de la Sidérurgie (GECS).

CAPA was created to service the debt owed to Crédit National, the GIS, and the other specialized financial institutions. CAPA was initially funded by the French government, state-owned institutional investors, and the Caisse Des Dépôts et Consignations. CAPA services the debt through interest payments on PACS, loans from the French Treasury, and borrowings on the financial markets, which are guaranteed by the French government.

The GECS was created because the French government determined that the holders of bonds issued by the GIS and the other specialized financial institutions should be protected from losses. CAPA reimburses the GECS with the funds it has raised as described above. The GECS then makes principal and interest payments to the bondholders.

Because the PACS were created under the government-directed Rescue Plan and are specific to the steel companies, we find that they confer countervailable benefits. Our treatment of these PACS is outlined in section d(iii).

b. *Equity Infusions.* Two equity infusions were made in Sacilor through which the French government became a shareholder in the company. The first

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infusion was made in 1979 under the Rescue Plan, when funds were provided in exchange for stock by CDC, the banks, GIS, FDES, and Crédit National. The second infusion was made in 1981, when PACS held by FDES were cancelled in exchange for stock.

Equity participation by the government is not a subsidy *per se*. Petitioners alleged, however, that government infusions of equity into Sacilor were made at a time when these infusions were not consistent with commercial considerations. We conclude that this, in fact, was the case because of the critical financial condition of the company at the time the infusions occurred (as described in the "Creditworthiness Issue" section below). Therefore, a subsidy potentially exists.

Because the providers of the infusions received stock in exchange for cash, we calculated average stock prices for the period preceding the infusions. We then compared the market value of the new stock issued with the actual value to the company of the equity infusion. Since the actual value was greater than the market value, we determine that the equity infusions conferred a countervailable benefit. The difference is considered to be a grant and is allocated over 15 years, the average useful life of capital assets (see grants section in Appendix 2). For our treatment of equity infusions, refer to section d (iv) and (v) below.

c. *Creditworthiness.* Petitioners alleged that Sacilor is uncreditworthy. In our preliminary determination, we found that, for purposes of this investigation, Sacilor became uncreditworthy by the end of 1975. Upon further examination of the relevant data, we determine that, although Sacilor had a deteriorating financial situation through 1977, it was still in a position to obtain credit from private lenders on terms consistent with commercial considerations without government involvement.

By 1978, Sacilor's financial situation had become so critical that the government of France intervened with the Rescue Plan described above, under which most of Sacilor's debt was converted into PACS. Our analysis of Sacilor's financial statements revealed a pattern of significant operating losses each year from 1975 through 1981 (from a low of FF 1.1 billion in 1979 to a high of FF 2.6 billion in 1981). Sacilor has had increasingly high debt/equity ratios in every one of those years. In light of Sacilor's inability by 1978 to raise funds without the French government's heavy involvement in the company, and the continuing deterioration of the company's financial position, we consider Sacilor to have been uncreditworthy since 1978 for the purposes of this investigation.

d. *Calculation of Countervailable Benefits.* Preferential loans and loan guarantees, PACS, and equity infusions have been treated in the following five ways:

i. *Preferential Loans and Loan Guarantees Issued Prior to 1978.* The subsidy rate for any loan and loan guarantee from CDC, FDES, Crédit National, bank syndicates in which Crédit National participated, the ECSC, and the EIB that was made prior to 1978 for which principal was still outstanding in 1981, and which was made at a rate below the commercial benchmark for a comparable loan in the year of issue, is calculated according to the general methodology for loans and loan guarantees outlined in Appendix 2. For France, we used as the commercial benchmark the monthly financial statistics on secondary market yields of private bonds published by the Organization for Economic Cooperation and Development (OECD). For the discount rate, we used the average annual yield of public and semi-public sector bonds on the secondary market as published by the OECD. Using the method outlined in Appendix 2, we computed a subsidy of 0.000 percent ad valorem for Sacilor.

ii. *Preferential Loans and Loan Guarantees Issued Since 1978.* Because we consider Sacilor to have been uncreditworthy since 1978, loans and loan guarantees issued since then by CDC, FDES, Crédit National, bank syndicates in which Crédit National participated, the ECSC, and the EIB, with principal still outstanding during 1981, are treated as loans to a company considered to be uncreditworthy. Using the equity methodology for loans to uncreditworthy companies (see Appendix 2), we compared the national average rate of return on equity in France with the rate realized in 1981 by Sacilor on its investments. To prevent countervailing a higher amount than if the loan had been an outright grant to the company, we compared the 1981 benefit of these loans under the equity methodology used for loans to uncreditworthy companies, with the result under the grant methodology described in Appendix 2. We computed a subsidy of 1.791 percent *ad valorem*.

iii. *Loans and Loan Guarantees Converted into PACS.* The benefits of Sacilor's PACS were calculated using the equity methodology for loans to uncreditworthy companies as described in part (b) above and as outlined in Appendix 2. In calculating the benefit of loans that were converted into PACS, we did not include those PACS that were subsequently cancelled in exchange for stock. These are discussed in section d.(v) below. We calculated a subsidy rate of 6.450 percent *ad valorem*.

iv. *Loss Coverage.* Since the cash infusions in exchange for stock and the interest refunds are not tied to capital assets or explicitly earmarked, we consider these funds available to cover cash-based losses.

We assume that when a company running large cash-based losses receives funds, these funds will be used to meet immediate obligations such as wages, materials, and interest expenses, which are items normally expensed in one year. Based on the above, we are expensing the funds in the year in which they were received to cover the losses of the previous year.

We calculated the annual cash losses as explained in Appendix 2, and compared the funds received to the previous year's losses. In making this comparison, we considered interest refunds before the cash infusions in exchange for equity.

For those years in which the amounts received exceeded losses, except 1981, we treated the excess as follows:

- In the case of interest refunds, we treated the excess as a grant and allocated it over 15 years, the average useful life of capital assets;
- In the case of cash infusions made in 1979 in exchange for stock, we calculated average stock prices for the period preceding the infusions (because the providers of the infusions received stock in exchange for cash). We then compared the market value of the new stock issued with the actual value to the company of the equity infusion. As the actual value was greater than the market value, we treated the difference as a grant and allocated it over 15 years, the average useful life of capital assets (see grants section in Appendix 2).

For 1981, the period for which we are measuring subsidization, we treated the entire amount as a grant for loss coverage, and expensed it in the year received.

We calculated the 1981 countervailable benefits, and allocated them over the total value of Sacilor's sales to calculate an *ad valorem* subsidy rate of 0.183 percent.

v. *Cancellation of Debt.* In 1978, pursuant to the government-directed Rescue Plan, Marine-Wendel cancelled part of Sacilor's debt. Because it did not receive anything in return for this

cancellation, we treated the amount cancelled as a grant, and allocated it over 15 years, the average useful life of capital assets (see grants section in Appendix 2).

At the end of 1981, the government of France cancelled PACS owed to it by Sacilor in exchange for additional shares in Sacilor. At that time, the government's share of ownership reached approximately 90 percent. As stated above, Sacilor has been uncreditworthy since 1978. Therefore, it is doubtful that the government's action was consistent with commercial considerations.

Since Sacilor's stock was traded on the Paris Bourse at the time the French government announced its intention to cancel its PACS for equity (see equity section in Appendix 2), we calculated average stock prices for the period immediately preceding the government's action. We then compared the average stock price with the actual value to the company of the government's equity infusion. As the actual value was greater than the market value, we treated the difference as a grant and allocated it over 15 years, the average useful life of capital assets (see grants section in Appendix 2). We then applied the 1981 net benefit over the value of all sales, and computed an *ad valorem* subsidy of 4.845 percent.

2. *Normandie.* The subsidy amounts for loans made by FDES, Credit National and the ECSC to Normandie, at rates below the commerical benchmark for a comparable loan in the year of issuance and still outstanding in 1981, are calculated according to the methodology outlined in Appendix 2 in the section dealing with preferential loans and loan guarantees for creditworthy companies. We compared what Normandie would have paid in 1981 on a comparable commercial loan with what the company actually paid on preferential loans in that year. To determine what Normandie would have paid on a comparable commercial loan, we used as the commercial benchmark the monthly financial statistics on secondary market yields of private bonds published by the Organization for Economic Cooperation and Development (OECD). For the discount rate we used the average annual yield on the secondary market of public and semi-public sector bonds as published by the OECD. Accordingly, we found a subsidy of 0.283 percent *ad valorem*.

B. Grants

In 1980, the French government authorized a grant to Normandie which was apparently tied to the industrial use of the LBE process converter. Funds were received by Normandie in 1981. Because the amount authorized and received was less than $50 million, we allocated the grant over the average useful life of capital assets as explained in Appendix 2 and allocated the 1981 amount over Normandie's total steel production to calculate an *ad valorem* subsidy of .001 percent.

C. Certain Labor-Related Aid: Sacilor

French corporations have certain statutory and contractual obligations to pay severance to their employees in case of interruption or cessation of empolyment. There are several French government early retirement plans designed to compensate for the effects of large-scale layoffs. The plan designed to cover all industries is the Fonds National de l'Emploi (FNE). Because of the significant problems faced by the steel industry with respect to restructuring, early retirement and layoff agreements were negotiated between certain steel companies and the labor unions.

These are the Convention de Protection Sociale of June 1977 (CPS), which applies to engineers and executives of the steel industry, and the Convention Générale de Protection Sociale of July 1979 (CGPS), which applies to all other steel industry workers.

Under these special steel agreements, workers laid off between the ages of 55 and 60 must retire. This is the "anticipated cessation of activity" plan which is financed in the same manner as the FNE; that is, by government, employer, and employee contributions to the unemployment fund, and government contributions financed by company payments.

Workers between the ages of 50 and 55 who are laid off fall under the "dispensation of activity" plan. Under this plan, the workers are still under contract to the company but their salaries are paid by the government. While the companies are under no contractual or statutory obligation to pay wages to laid-off workers, they do have contractual and statutory obligations to pay severance to laid-off workers. Since the workers who are laid off at age 50 continue to receive wages, the companies' requiremrnt to pay severance is deferred until the worker reach age 55. The benefit to the steel companies is the difference between the liability accrued in each year for severance pay and the actual expense incurred in each year for severance pay.

We considered this benefit to be a grant to Sacilor. Because the benefit is less than one percent of the total value of 1981 steel production, and is tied to an item normally expensed in one year, we allocated the 1981 benefit over the total value of Sacilor's 1981 steel sales, and calculated a subsidy rate of 0.947 percent *ad valorem*.

D. Research and Development (R&D)

Research and development for the French steel industry is conducted by the Institut de Recherches de la Sidérurgie Française (IRSID). IRSID was established by the French steel companies, which underwrite the major portion of IRSID's budget. However, according to IRSID's 1980 annual report, the French government contributed at least three percent of IRSID's yearly budget, and the ECSC contributed ten percent.

At verification, w were not allowed to meet with IRSID officials and were not provided with a 1981 annual report or any IRSID official documents. For this reason, and because we were told that the results of IRSID research were not released to the public, and that the research is industry specific, we consider that portion of IRSID's budget funded by the government of France to be countervailable. However, we find that R&D funding provided to IRSID by the ECSC is not countervailable, as the results of the ECSC-funded research are made publicly available by the ECSC. To calculate the 1981 countervailable benefit, we are using IRSID's 1980 annual report as the best information available. The French government's share of IRSID's budget is 3 percent. We applied this amount to the total value of 1980 French steel sales, because the benefits of the research were available to all steel companies that are members of IRSID. We calculated a net subsidy for all products and all companies of 0.007 percent *ad valorem*.

II. Programs Determined Not To Be Subsidies

We have determined that subsidies are not being provided under the following programs to manufacturers, producers, or exporters in France of carbon steel wire rod.

A. Export Credit Insurance

The Compagnie Française d'Assurance pour le Commerce Exterieur (COFACE) is a government corporation that provides export insurance to cover commercial, political, exchange rate fluctuation and inflation risks. For our preliminary determination, we reviewed COFACE's 1980 annual report (the most recent report available) and found that, while the company showed an overall profit, its insurance activities operated at a deficit. Revenues

from financial and real estate investments allowed COFACE to offset the operating deficit on insurance. Our preliminary review of the annual reports for 1976–1980 revealed a pattern of yearly operating deficits on insurance activities that were offset by revenues from investments. However, we reviewed the 1981 data and verified that only the political risk program suffered losses, not the commercial risk program. We also verified that premiums for COFACE's commercial risk insurance program exceeded losses incurred by that program. Consequently, we have determined that COFACE export insurance does not confer a subsidy with respect to exports to the United States.

B. Vocational Training Assistance

We verified that the only vocational training assistance programs utilized by the respondents during 1981 were provided through the European Social Fund (ESF), the Fonds National de l'Emploi (FNE) and the Association de Formation de l'Est (AFOREST), a regional training organization operating under the auspices of the regional Chamber of Commerce and financed by dues from members.

In our preliminary determination, we assumed that these programs were aimed at retraining steelworkers for jobs within the steel industry. However, we verified that the vocational training programs are aimed at retraining workers for jobs other than steel production. For those workers subsequently reemployed in the steel industry, we found that they were reemployed in jobs not related to steel production. Therefore, we have determined that these programs do not confer subsidies under the countervailing duty law.

C. ECSC Worker Housing Loans

For the reasons described in Appendix 3, we reverse our preliminary determination that these loans confer a subsidy on steel companies whose workers receive them, and determine instead that they do not.

D. Certain Labor-Related Aid: Normandie

Normandie received labor assistance in the form of reimbursements from FNE for payments to laid-off workers. Because assistance from FNE is generally available we determine that it does not constitute a countervailable benefit.

E. Research and Development Assistance

Three government organizations provided a small amount of R&D funding to French steel companies included in this investigation:

- Agence Nationale de Valorisation de la Recherche (ANVAR): a public corporation which is designed to support innovation and enhance research;
- Direction Générale de la Recherche Scientifique et Technique (DGRST): a subdivision of the Ministry of Research and Technology; and
- Agence de l'Informatique (ADI): a public corporation which promotes the use of computer technology.

We verified that R&D funding was not awarded on a regional or industry-specific basis, and that research results were made publicly available. Therefore, we have determined that the amounts received through these programs do not confer subsidies within the meaning of the Act.

F. Energy Assistance

The French steel companies involved in this investigation received a few small grants from the Agence pour les Economies d'Energie (AEE). The AEE is a government agency, created in 1974, that provides grants to foster energy efficiency. Grants received from the agency may have to be repaid if target efficiency levels are not met. Early in 1982, the AEE was merged with several other agencies to form the Agence Française pour la Maîtrise de l'Energie (AFME). We verified that these grants were not provided on a regional or industry-specific basis. Therefore, we have determined that the amounts received from AEE by the steel companies included in this investigation do not confer subsidies.

G. Regional Anti-Pollution Agencies

Created by Law No. 64–1245 of 1964, these regional agencies, known generally as "Agences Financières de Bassin," provide incentives for the installation of anti-pollution devices. We believe that these programs are generally available, and do not benefit a specific group of industries. The agencies' operations are funded by dues from industrial users. In return, they award bonuses and loans to combat pollution.

In addition, the dues paid to these agencies by the steel companies involved in this investigation exceeded the amounts that they received. For these reasons, we find that the funds received do not confer subsidies.

H. Assistance to Improve Working Conditions

One of the steel companies involved in this investigation indicated that it had received a small grant from the Agence Nationale pour l'Amelioration des Conditions de Travail (ANACT). ANACT is a public corporation, established in 1973, to promote better working conditions. Because ANACT funds are not granted on a regional or industry-specific basis, we find that the amounts provided do not confer subsidies.

I. Assistance to Coal Suppliers

In our preliminary determination, we found that subsidies to French coal producers did not bestow a countervailable benefit upon the production, manufacture or exportation of French steel.

Between the preliminary determination and this final determination, we analyzed and verified aspects of the French coal subsidy program as it applies to steel. Based upon the verified information in the records of this investigation, we find that this program does not confer a countervailable benefit on French steel producers for the following reasons.

Benefits bestowed upon the manufacturer of an input do not necessarily flow down to the purchaser of that input if the sale is transacted at arm's length. In an arm's length transaction, the sellers generally attempt to maximize their revenue by charging as high a price as the market will bear. Where the price charged in an arm's length transaction for a subsidized input exceeds the market price for that input, we do not believe that any portion of the subsidy flows to the purchasers of the subsidized input. On the other hand, where the price of a subsidized input is lower than the market price, part or all of the subsidy may well be used to allow the subsidized manufacturer to undercut the market price. If so, then part or all of the subsidy does flow to the purchaser of the subsidized input; without at least part of that subsidy the subsidized manufacturer could not undercut the market price, and the purchaser would consequently pay the higher market price to the unsubsidized manufacturers.

These principles apply to French coal sales as follows. We find that the price charged for French coal does not undercut the market price. Absent special circumstances warranting a contrary conclusion, French steel producers apparently do not benefit from French coal subsidies as long as

the price for French coal does not undercut the market price.

Further consideration is warranted, however, for one special circumstance. The government of France directly or indirectly owns all French coal producers and partially owns Sacilor. The issue arises whether transactions between them are conducted on an arm's-length basis. We do not believe that government ownership *per se* confers a subsidy, or that common government ownership of separate companies necessarily precludes arm's-length transactions between them. To determine whether coal sales between government-owned coal and steel producers appear to have been consummated on arm's-length terms, we considered whether the government-owned coal producers sold to the government-owned steel producers at the prevailing market price. We found that French coal producers did charge the prevailing market prices. On this basis, we conclude that coal subsidies were not conferred on steel producers as a result of government ownership.

Regarding the allegation that the French steel industry indirectly benefits from German government assistance provided to the coal industry in the Federal Republic of Germany, we do not consider such assistance to confer a countervailable benefit on the French steel industry for the reasons outlined in Appendix 2.

The ECSC provides various production and marketing grants to ECSC coal and coke producers. However, we do not consider this assistance to confer a countervailable benefit on the French steel industry for the reasons described in Appendix 3.

J. Relocation and Moving Benefits

A number of employees have been relocated from Sacilor, to Solmer's plant at Fos-sur-Mer near Marseilles. The workers' relocation and moving expenses were initially financed by advances from Sacilor to Solmer. The workers were reimbursed with ECSC funds channeled through the Fonds National de l'Emploi (FNE), which were forwarded to Solmer by the workers. Solmer in turn repaid Sacilor.

We have determined that because Solmer does not make the product under investigation this transaction did not benefit the production of wire rod, and is therefore not countervailable with respect to wire rod.

III. Programs Determined Not To Be Used

We have determined that the following programs which were listed in the notice of "Initiation of Countervailing Duty Investigation" are not used by the manufacturers, producers, or exporters in France of carbon steel wire rod.

A. Regional Development Incentives

The government of France provides a series of tax and non-tax regional incentives to French and foreign businesses to establish new, or to expand existing, businesses in certain French regions.

The Délégation à l'Aménagement du Territoire et à l'Action Régionale (DATAR) coordinates the programs of various government agencies and ministries. For incentive purposes, France is divided into four zones. Each zone, or part of a zone, is eligible for different types or levels of assistance. The assistance includes development grants, non-industrial grants, research and development grants, decentralization indemnities, and job training subsidies.

We have no evidence that DATAR provided any benefits to the steel companies involved in this investigation.

B. Special Fund for Industrial Adaption

Petitioners alleged that French steel companies received grants and preferential loans through the Fonds Spécial d'Adaptation Industrielle (FSAI). FSAI was established in 1978 to promote job creation and industrial diversification in the steel, textile, shipbuilding and coal regions of France. We have no evidence that the steel companies included in this investigation received benefits from FSAI.

C. Export Financing

In France, exports may be financed or guaranteed through the Commission Interministérielle des Garanties et du Crédit au Commerce Extérieur and the Banque Française due Commerce Extérieur (BFCE). We have no evidence that the steel companies involved in this investigation availed themselves of any of these programs.

D. European Regional Development Funds (ERDF)

This program is described in Appendix 3. We found no evidence that any company under investigation received ERDF funds.

IV. Petitioners' Comments

Comment 1: Counsel for petitioners argue that a more thorough investigation should be done with respect to Marine-Wendel's forgiveness of debt to Sacilor.

DOC Position: During verification, we requested additional information concerning Marine-Wendel's actions in relation to the debt owed to it by Sacilor. We also reviewed Marine-Wendel's participation in the Rescue Plan. Our determination in regard to Marine-Wendel's actions is included in the "Preferential Financing" section of this notice.

Comment 2: Counsel for petitioners argue that all domestic subsidies in a country should be countervailed, even if they are available to all industries.

DOC Position: See Appendix 4.

Comment 3: Counsel for petitioners argue that the time period to use in determining if critical circumstances exist is the period before the petitions are filed.

DOC Position: See Appendix 4.

Comment 4: Counsel for petitioners argue that for purposes of critical circumstances domestic subsidies should be considered in determining whether there is a subsidy inconsistent with the Agreement.

DOC Position: See Appendix 4.

Comment 5: Counsel for petitioners allege that imports from France were "massive" in the sense of section 703(e) of the Act.

DOC Position: See Appendix 4.

Comment 6: Counsel for petitioners argue that, in our preliminary determination, the use of the same discount rate for creditworthy and uncreditworthy companies understates the present value of the subsidy.

DOC Position: See Appendix 2.

Comment 7: Counsel for petitioners argue that ECSC subsidies to coal benefit French steel companies and are therefore countervailable.

DOC Position: See Appendix 3.

Comment 8: Counsel argues that French government subsidization of coal producers confers subsidies on French steel producers.

DOC Position: For the reasons indicated above in the "Assistance to Coal Suppliers" section, we have determined that subsidies conferred by the French government on coal producers do not pass through to steel producers.

Comment 9: Counsel for petitioners contends that the Department overestimated the value of Sacilor shares received by the Government of France. Lacking the ability to determine a realistic value of this stock, the Department should attribute no value whatsoever to it.

DOC Position: We used Sacilor's stock market value as the best information available to make a reasonable valuation of company shares, as discussed in Appendix 2.

Comment 10: Counsel for petitioners disagrees with our addition of Soilac's

and Solmer's values of production in the calculation of *ad valorem* subsidies.

DOC Position: In our final determination we have used the total value of Sacilor's steel sales, which includes Sacilor's share of Sollac's and Solmer's steel production, for subsidy programs attributable to Sacilor's entire steel production. See Appendix 2.

Comment 11: Counsel for petitioners contends that any control which Sacilor has exercised over Normandie since the initiation of the case should be reflected in this determination.

DOC Position: At the moment, our best information is that Normandie has not yet concluded an arrangement with Sacilor. If a merger does take place between Sacilor and Normandie, however, Normandie will be assessed any wire rod deposit rate applicable to Sacilor. A merger between Normandie and any other company would result in the application of the "All Others" deposit rate to Normandie, which is equal to Sacilor's rate.

Comment 12: Counsel for petitioners asserts that benefits attributable to Sollac and Solmer should be included in the rate for Sacilor because Sollac and Solmer produce billets.

DOC Position: Our best information indicates that Sollac and Solmer do not produce billets.

V. Respondents' Comments

Comment 1: Counsel contend that Crédit National is not a government credit institution, but a private bank subject to normal commercial practices, and that CN loans and loan guarantees are not industry-specific.

DOC Position: We agree, as indicated in the section on preferential financing above, that there is some evidence to suggest that Crédit National loans are available to all industries. However, the government of France would not provide us with the criteria on which the loans were based. We were not allowed to meet with Credit National officials or to view sample Credit National loan applications. Therefore, we were not satisfied that CN loans were not industry-specific, and that they were not subsidies.

With regard to Crédit National's legal status, France's foremost authority in administrative law, Professor André de Laubadère, states in his "Traité Elementaire de Droit Administratif" (Librairie Générale de Droit et de Jurisprudence, Paris, 1966, vol. 3):

(pp. 439–440)

"Un troisieme groupe d'organismes est constitue par les *Instituts specialises* que l'on dénomme frequemment 'auxiliaires' ou encore 'alliés . . . du Tresor et dont l'intervention est nee du fait qu elle porte sur des secteurs dont la rentabilité n'est pas suffisante pour attirer les credits bancaires. Mais ces instituts sont eux-mêmes tres divers:

(* * *)

"D'autres sont des *societes de droit prive*, mais dotées d'un statut particulier qui les soumet à un contrôle etroit de l'Etat et qui conduit à les appeler generalement *organismes para- ou semi-publics* (Credit National, etc.)."

(pp. 448–449)

"A côté des établissments publics (* * *), on recontre des institutions financières spécialisées qui jouent un rôle anologue et qui, quoique privées, occupent encore une place dans les institutions de l'Etat-banquier parce qu'elles servant également d'intermédiaires ou relais pour le Trésor; elles reçoivent du reste, en raison de ce rôles, des dotations de l'Etat et comportent, de sa part, des contrôles très particuliers qui les font qualifier d'organismes 'para-publics' ou 'semi-publics'.

"Ce sont notamment le *Crédit National* (* * *).

"Le cas du Credit National est particulièrement intéressant car il * * * illustre la montée du rôle bancaire de l'Etat.

"(* * *) le *Crédit National* est devenu un instrument de financement de l'industrie par des prêts à long et moyen terme mais il est, à cet égard, un moyen de realiser une politique de prêts des pouvoirs publics, un relais de l'Etat.

"Il en résulte un caractère complexe de cette institution aussi bien en ce qui concerne sa structure que son rôle:

"En ce qui concerne sa *structure*, le Créit National est une société anonyme de droit prive dont le capital a été souscrit par les principaux établissements de crédit et par les plus importantes entreprises industrielles françaises. Mais l'Etat possède des prerogatives exorbitantes sur son organisation et son fonctionnement: le president du conseil d'administration et les deux directeurs sont nommes par décret; deux des censeurs, chargés des fonctions de surveillance, sont nommés par le ministre des Finances et sont, en fait, le directeur du Tresor et les directeur de la Caisse des Dépôts.

"Quant à son *rôle*, le Crédit National, s'il est une banque, est une banque chargee d'une mission d'interêt général. Ce trait est accentué par l'importance actuelle du rôle du Creit National comme distributeur de fonds du F.D.E.S. et comme auxiliaire de l'exécution du Plan. Sans doute, certains prêts sont consentis par le Crédit National sur sa seule décision, lorsqu'ils proviennent de fonds propres; mais d'autres prêts sont consentis soit apres avis spontanement demandé au Commissariat du Plan, soit sur décision prealable du Conseil de direction du F.D.E.S.; ces derniers sont ceux qui sont effectues à l'aide des fonds du F.D.E.S. transitant par le Credit National; ils constitutent la partie la plus importante des operations de celui-ci."

(Translation)

(pp. 439–440)

"A third group of organizations comprises the *Specialized Institutions*, which are frequently labelled as 'auxiliaries' or 'allies' * * * of the Treasury, and whose intervention was brought about by the fact that it bears on areas the profitability of which is inadequate to attract bank loans. These institutions, however, are themselves very diverse in nature:

(* * *)

"Others are *private corporations* under a special legal status that submits them to tight state control and causes them to be generally referred to as *par- or semi-public organizations* (Credit National, etc.)."

(pp. 448–449)

"In addition to public entities (* * *), one also encounters specialized financial institutions which play a similar part and which, although they are private, also fit within the framework of the Banker-State because they also serve as intermediaries or relays for the Treasury; besides, they receive, because of this role, funds from the State which entail very particular controls by the State, which causes them to be called 'para-public' or 'semi-public' organizations.

"Among these are Crédit National (* * *).

"The case of Crédit National is particularly interesting as it * * * illustrates the ever-growing role of the State as a banker.

"(* * *) Crédit National has become a financing instrument for industry through medium- and long-term loans, but it is, in this regard, a means for the implementation of the government's lending policy, a relay of the State.

"As a consequence, this institution presents complex characteristics as regards its structure as well as its role: "With respect to its *structure*, Créit National is a private corporation whose capital stock was subscribed by the principal credit institutions and the largest French industrial corporations. The State, however, possesses exorbitant rights of oversight with regard to its organization and activities: its president and both executive directors are appointed by government decree; two of its four censors, which supervise the organization's activities, are appointed by the Minister of Finance and are actually the Director of the Treasury and the Director of the Caisse des Dépôts (et Consignations).

With respect to its *role*, Crédit National * * * is a bank entrusted with a mission of general interest. This is emphasized by Crédit National's role as a conduit for F.D.E.S. funds and as an auxiliary to the implementation of the (Five-Year) Plan. It is true that certain loans are granted by Credit National on its own, when they are backed by Crédit National's own funds; other loans, however, are granted either after seeking the National Planning Board's opinion, either by a prior decision of the F.D.E.S. executive board; the latter loans are those made with F.D.E.S. money transiting through Credit National; they constitute the larger part of its operations."

These excerpts demonstrate that although Crédit National is legally a private corporation, it was created by a special law, the majority of its stockholders are state-owned banks and financial institutions, and the

government of France exercises tight control over Crédit National's operations. Further, Crédit National does not make loans under purely commercial considerations and acts as an agent of the government of France.

Comment 2: Counsel argue that FDES loans are not made on a regional basis, and therefore are not countervailable.

DOC Position: As indicated above in the section on preferential financing, there is some evidence to suggest that FDES loans are available to all regions. However, FDES is a government fund administered by the French Treasury. The government of France would not provide us with the criteria on which the loans were based. Therefore, we are not satisfied that FDES loans were not regional and that they did not confer subsidies.

Comment 3: Counsel for Sacilor argues that the Rescue Plan was not instituted by the government of France, but rather was the product of negotiations between Sacilor and its creditors, and that because the Rescue Plan was consistent with rational commercial policies, there were no countervailable benefits from either the PACS or other elements of the Plan.

Counsel contend that the creditors acted reasonably, based on their conclusion that Sacilor would return to profitability as a result of the Rescue Plan.

Counsel for Sacilor further contends that "Sacilor's borrowing capacity, and thence its creditworthiness, was restored" as a result of the Rescue Plan.

DOC Position: We concur that the negotiations that led to the Rescue Plan included Sacilor's creditors. However, this point is immaterial because the result of the negotiations was substantial government intervention in the steel companies' financing, which was the intent of the creditors. Further, normal commercial considerations do not usually involve government intervention to the extent of the Rescue Plan.

With respect to the second argument, the creditors' forecast of return to profitability hinged on the guarantees given by the government of France that the steel companies would be relieved of the responsibility of servicing their debt. Those circumstances are not consistent with commercial considerations.

With regard to the Rescue Plan, we are not in a position to determine its success or failure; however, we do note that Sacilor continued to sustain persistent, heavy losses and show unfavorable financial ratios in succeeding years when loans were made, up to the present time. Therefore, for purposes of this investigation, Sacilor remains uncreditworthy.

Comment 4: Counsel contends that Sacilor is creditworthy because it received loans from both nationalized and private banks through 1980.

Counsel for Sacilor argues that the Department should not have used hindsight in deciding whether the lenders acted in accordance with commercial considerations.

DOC Position: In our preliminary determination, we found Sacilor to have been uncreditworthy since the end of 1975. Upon further examination of the relevant data, we determined that, although Sacilor had a deteriorating financial situation through 1977, it was still in a position to obtain credit from private lenders on terms consistent with commercial considerations without government involvement.

Even though Sacilor received loans from private banks after 1978, most of these loans were given with express government guarantees, and thus are not evidence of the ability of the firm to raise funds on its own, and several were made at the express request of the government to the banks.

Beginning with the 1978 Rescue Plan, there has been an obvious pattern of French government direction of funds into the steel industry. We judge that the funds poured into Sacilor have been the result of French government targeting, and absent that targeting, Sacilor could not have obtained the funds on an arm's length, commercial basis, in view of the heavy persisting losses and the unfavorable financial ratios. Consequently, we determine that Sacilor remained uncreditworthy from 1978 into the period for which subsidies are being measured.

With regard to the hindsight argument, we reiterate that our assessment of the creditworthiness of the companies for any given year is based on conditions *at that time*, and not hindsight (see Appendix 2).

Comment 5: Counsel for Sacilor argues that, when PACS are properly viewed as equity, the debt/equity ratio decreases to an acceptable level, and that PACS are at least as valuable to the creditors as the loans that they replaced.

DOC Position: We consider the PACS to be debt, because they are actually called loans ("*Prêts* à Caractéristiques Spéciales"), bear interest, albeit at a very special rate, and must be repaid when the recipients return to profitability. Accordingly, they should not be included in the equity side of the debt/equity ratio. As discussed earlier, we calculated the benefit of PACS using the equity methodology for loans to uncreditworthy companies outlined in Appendix 2.

Comment 6: Counsel for Sacilor argues that premiums paid over market value of stock are common in takeovers where the objective is to gain control over the company. Counsel also asserts that the French securities market is notoriously inefficient because it is a thin market, and cites four examples of premiums for stock in companies with losses.

DOC Position: We agree that in a commercial takeover by private investors, premiums may be paid over the stock market price. However, in this instance we are not dealing with a commercial undertaking, but rather with a French government nationalization of the steel companies, which were not in a financial condition where a "control premium" would be expected in a commercial context (see Appendix 2).

As described in Petitioner's Comment 9, we used Sacilor's stock market prices as best information available to make a fair valuation of the company's shares, for the reasons described above and in Appendix 2.

Comment 7: Counsel for Sacilor contends that Sollac's and Solmer's benefits should not be aggregated with Sacilor's.

DOC Position: We agree with counsel. Neither Solac nor Solmer produces wire rod and benefits to them are therefore not attributable to Sacilor's wire rod production. However, benefits to Sacilor's total steel production were allocated over total steel sales; benefits to the corporate entity as a whole (e.g., loss coverage) were allocated to Sacilor's total sales. See Appendix 2.

Comment 8: Counsel for Normandie contends that COFACE's commercial risk and political risk insurance programs should be considered separately, as the former operates at a profit and the latter at a loss. Normandie's exports to the United States are insured under the commercial risk program exclusively.

DOC Position: We agree with counsel's argument, and have taken it into account in section II–A of this notice.

Comment 9: Counsel argues that, as Sacilor's obligation to pay severance to laid-off workers is contractual rather than statutory, there can be no subsidy. He also contends that Sacilor's contractual agreement was to serve as a conduit for government largesse.

DOC Position: We determine that the steel companies do have contractual and statutory obligations to pay serverance to laid-off workers.

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We agree with counsel for Sacilor that the companies have contractual obligations to their workers. We find these contractual obligations to be legally binding.

We agree that the companies serve as conduits for the distribution of certain funds, and we are not countervailing against them in this respect.

Comment 10: Counsel for Sacilor alleges that the interest rates chosen as benchmarks for our preliminary determination often exceeded the official rates. Counsel argues that rates in excess of those published by the OECD are arbitrary.

DOC Position: We are using the rates published by the OECD in this final determination.

Comment 11: Counsel for Sacilor asserts that our preliminary determination treats funds received by Sacilor from FNE and AFOREST as subsidies. Counsel states that the funds received from FNE for relocation and moving expenses and retraining of workers did not benefit in any manner Sacilor. Sacilor was at no time under any legal or contructual obligation to retrain these employees.

DOC Position: We agree that the retraining and relocation of workers did not provide any benefits to Sacilor, for the reasons stated in section II–B and II–J of this notice.

Comment 12: Counsel for respondents assert that the allegedly new methodology used in the preliminary determination should be rejected for failure to follow proper administrative procedures.

DOC Position: See Appendix 4.

Comment 13: Counsel for respondents argue that the methodology used in the preliminary determination to calculate the benefits of loans and equity infusions is incorrect.

DOC Position: Neither counsel for petitioners nor counsel for respondents provided convincing reasons for adopting their suggestions. For further information, see Appendix 2.

Comment 14: Counsel argue that the grants methodology which involves the imputation of a future value designed to reflect the time value of money is a violation of the prohibitions in Article IV, ¶ 3 of the GATT; Article IV, ¶ 2 of the Subsidies Code; and Section 701(a) and Section 703(d)(2) of the Act, against imposing countervailing duties in excess of subsidies.

DOC Position: See Appendix 4.

Comment 15: Counsel argues that no standards have been articulated for determining creditworthiness.

DOC Position: See Appendix 2.

Comment 16: Counsel contends that, because the Rescue Plan is akin to a Chapter XI reorganization proceeding under U.S. bankruptcy law, it is not countervailable.

DOC Position: See Appendix 4.

Comment 17: Counsel for Sacilor argues that the assumption of financing costs is not countervailable. Relying on the illustrative list of domestic subsidies contained in section 771(5)(B) of the Act, he argues that only the assumption of operational costs is countervailable. In addition, he argues that because the accounting definition of "operating costs" does not include interest-related revenues and expenses, we should not countervail the provision by the government of funds which relieve a business of its interest obligations.

DOC Position: We disagree. Any preferential absorption by a government of a cost of doing business—be it wages, materials, taxes on income, or interest expenses—can give rise to a subsidy, as recognized in subsection 771(5)(B)(iv) of the Act. We find that a subsidy to relieve debt expenses is an assumption of a cost of manufacture, production, or distribution within the meaning of subsection 771(5)(B)(iv), and is therefore countervailable. Although subsection 771(5)(B)(iii) of the Act lists as an example of a subsidy "funds * * * to cover operating losses," this illustrative example does not permit us to ignore the language of subsection 771(5)(B)(iv).

Comment 18: Counsel for Sacilor contends that the success of GIS in floating bond issues is proof of the creditworthiness of his client.

DOC Position: In his response to our questionnaire, counsel indicated that GIS has not floated any issues nor made any loans since 1978, in our judgment the year Sacilor became uncreditworthy.

In addition, Sacilor's GIS loans were converted to PACS because Sacilor was unable to repay them under their original terms.

Comment 19: Counsel states that equity subsidies were accepted by Sacilor as a holding company and not tied to any particular division or activity, and therefore should be allocated over total consolidated revenues.

DOC Position: It is the Department's judgment that the 1981 equity subsidies were conversions of loans tied to steel production, and consequently are allocated over total value of steel production. However, 1979 equity subsidies were considered under loss coverage and allocated over total sales.

Comment 20: Counsel maintains that because United States imports from Sacilor have declined, and because no export subsidies were found, critical circumstances should not be found to apply to his client.

DOC Position: For our determination regarding critical circumstances see the section below.

Negative Determination of Critical Circumstances

Petitioners alleged that imports of carbon steel wire rod under investigation present "critical circumstances." Under section 355.29 and 355.33(b) of the Department's regulations, critical circumstances exist when the alleged subsidies include an export subsidy inconsistent with the Agreement, and there have been massive imports of the class or kind of merchandise which is the subject of the investigation over a relatively short period.

We have not found any export subsidies in this investigation. Therefore, critical circumstances do not exist in this investigation on carbon steel wire rod from France.

Verification

In accordance with section 776(a) of the Act, we verified the data used in making our final determination. During this verification, we followed normal procedures, including inspection of documents, discussions with government officials and on-site inspection of manufacturers' operations and records.

Administrative Procedures

The Department has afforded interested parties an opprotunity to present oral views in accordance with its regulations (19 CFR 355.35). A public hearing was held on July 12, 1982. In accordance with the Department's regulations (19 CFR 355.34(a)), written views have been received and considered.

Suspension of Liquidation

As explained in this notice, we have determined that no countervailable benefits are being provided to Normandie, because the amount of the estimated net subsidy during the period for which we are measuring subsidization is 0.291 percent *ad valorem*, which is *de minimis*. The suspension of liquidation ordered in our preliminary affirmative countervailing duty determination for Normandie shall be terminated upon publication of this notice. All estimated countervailing duties shall be refunded, and all appropriate bonds shall be released in accordance with § 355.33(g) of the Department of Commerce Regulations (19 CFR 355.33(g)). The suspension of liquidation ordered in our preliminary affirmative countervailing duty

determination for Sacilor shall remain in effect until further notice. The estimated net subsidy is as follows:

Manufacturer/producer/exporter	Ad valorem rate (percent)
Sacilor:	
Carbon Steel Wire Rod	14.223
Normandie:	
Carbon Steel Wire Rod	0.000
All Other Manufacturers/Producers/Exporters:	
Carbon Steel Wire Rod	14.223

We are directing the United States Customs Service to require a cash deposit or bond in the amount indicated above for each entry of the subject merchandise entered on or after the date of publication of this notice in the **Federal Register**. Where the manufacturer is not the exporter, and the manufacturer is known, the rate for that manufacturer shall be used in determining the amount of cash deposit or bond. If the manufacturer is unknown, the rate for all other manufacturers/producers/exporters shall be used.

ITC Notification

In accordance with section 705(d) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all non-privileged and non-confidential information relating to this investigation. We will allow the ITC access to all privileged and confidential information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order without the written consent of the Deputy Assistant Secretary for Import Administration. The ITC will determine within 45 days of the publication of this notice whether these imports are materially injuring, or threatening to materially injure, a U.S. industry. If the ITC determines that material injury, or threat of material injury, does not exist, this proceeding will be terminated and all securities posted or cash deposited as a result of the suspension of liquidation will be refunded or cancelled. If, however, the ITC determines that such injury does exist, within 7 days of notification by the ITC of that determination, we will issue a countervailing duty order, directing Customs officers to assess countervailing duty on carbon steel wire rod from France entered, or withdrawn from warehouse, for consumption after the suspension of liquidation, equal to the net subsidy determined or estimated to exist as a result of the annual review process prescribed by section 751 of the Act. The provision of section 707(a) of the Act will apply to the first directive for assessment.

Dated: September 21, 1982.

Lawrence J. Brady,

Assistant Secretary for Trade Administration.

[FR Doc. 82-26469 Filed 9-24-82; 8:45 am]

BILLING CODE 3510-25-M

DEPARTMENT OF COMMERCE

International Trade Administration

Carbon Steel Wire Rod From Venezuela; Final Determination of Sales at Less Than Fair Value

AGENCY: International Trade Administration; Commerce.

ACTION: Final Determination of Sales at Less Than Fair Value.

SUMMARY: This notice is to advise the public that the Department of Commerce has determined that carbon steel wire rod from Venezuela is being sold or is likely to be sold in the United States at less than fair value within the meaning of the antidumping law. The United States International Trade Commission will determine within 45 days of the publication of this notice whether these imports are materially injuring, or threatening to materially injure, a United States industry.

EFFECTIVE DATE: December 30, 1982.

FOR FURTHER INFORMATION CONTACT: Michael J. Altier, Office of Investigations, International Trade Administration, Department of Commerce, Washington, D.C. 20230 (202) 377-1785.

SUPPLEMENTARY INFORMATION:

Case History

On February 8, 1982, we received a petition in proper form from Atlantic Steel Corp., Georgetown Steel Corp., Georgetown Texas Steel Corp.,

Keystone Consolidated, Inc., Korf Industries, Inc., Penn-Dixie Steel Corp., and Raritan River Steel Co. filed on behalf of the U.S. industry producing carbon steel wire rod. The petitioners alleged that carbon steel wire rod from Venezuela is being sold at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (the Act).

On March 1, 1982, upon examining the petition as required under section 732 of the Act, we determined that there existed sufficient grounds upon which to initiate an antidumping investigation (47 FR 9259).

On March 25, 1982, the United States International Trade Commission (ITC) determined that there is a reasonable indication that an industry in the United States is being materially injured or is threatened with material injury by reason of imports of carbon steel wire rod from Venezuela which are alleged to be sold at less than fair value. The ITC published notice of its determination on April 1, 1982 (47 FR 13927).

On March 15, 1982, we presented a questionnaire concerning the allegations to CVG-Siderurgica del Orinoco, C.A. (Sidor), the sole producer and/or exporter from Veneuzuela of the subject product.

The petitioners alleged that sales of the subject product to the United States had been made during calendar year 1981, the time period initially chosen as the period of investigation. Subsequently, Sidor informed us that although several shipments of its merchandise had entered the United States during 1981, the actual sales for these entries were made in late 1980. Accordingly, the period of investigation was extended to include these sales.

However, Sidor refused to include in its response to our questionnaire any of the requested sales information. Since the requested information was essential to this investigation, we therefore used the best information otherwise available in making our preliminary determination, in accordance with section 776(b) of the Act.

On July 19, 1982, we preliminarily determined that carbon steel wire rod from Venezuela was being, or was likely to be, sold in the United States at less than fair value (47 FR 31910). In our preliminary determination we afforded interested parties an opportunity to submit written views and to request a public hearing. No written views were submitted nor was a public hearing requested.

On August 31, 1982, the Department of Commerce (the Department) initialed a proposed agreement to suspend this investigation. The basis for the suspension was a proposed agreement between the Department and Sidor to cease exports of the subject product to the United States.

On the same date, in compliance with the procedural requirements of section 734(e) of the Act, we notified the petitioners of, and consulted with them regarding, the proposed agreement. At that time, we explained how the proposed agreement would be performed and enforced, how the agreement would meet the requirements of subsections 734(b) and (d) of the Act, and offered to answer any questions. Petitioners also received copies of the proposed agreement on that date and all parties to the investigation were permitted to submit comments and information for the record. No comments were received, however. In addition, the ITC was notified of the proposed agreement.

On October 1, 1982, we determined that the criteria for suspending an investigation were met. The Department and Sidor signed the agreement on that date. On October 7, 1982, notice of the suspension of investigation was published in the Federal Register (47 FR 44362).

On October 25, 1982, Sidor requested that this investigation be continued pursuant to section 734(g) of the Act. Therefore, we are making this final determination.

Scope of Investigation

The product covered by this investigation is carbon steel wire rod which is a coiled, semi-finished, hot-rolled carbon steel product of approximately round solid cross section not under 0.20 inch nor over 0.74 inch in diameter, not tempered, not treated, and not partly manufactured, valued over four cents per pound, currently provided for in item 607.17 of the *Tariff Schedules of the United States*.

Methodology of Fair Value Comparison

A comparision was made between the United States price and the foreign market value of the imported merchandise.

United States Prices

Purchase price was used to represent United States price because, according to the best information available, the price of carbon steel wire rod to unrelated purchasers in the United States was agreed to before the merchandise was imported into the United States.

Purchase price, as defined in section 772(b) of the Act, was calculated by dividing the total value (f.o.b. port of exportation) of carbon steel wire rod imported into the United States from Venezuela in 1981 by the total volume (in metric tons) of the same imports. The source of this information was Department of Commerce import statistics.

Foreign Market Value

In accordance with section 773(a)(1)(A) of the Act, the price of such or similar merchandise sold for consumption in the home market of Venezuela was used to determine foreign market value.

The petition included evidence of the price at which several home market sales were made. These sales prices included freight from the mill to the customer. We deducted the freight to arrive at an ex-mill price, and used the weighted average of these ex-mill prices to represent foreign market value.

Result of Comparison

We compared foreign market value with United States price calculated as above. The comparison results in a dumping margin of 40 percent.

ITC Notification

We have referred this case to the ITC so that it may determine whether these imports are materially injuring a U.S. industry. That determination is due within 45 days of the publication of this notice.

As section 735(c)(1)(A) of the Act requires, we are making available to the ITC all nonprivileged and nonconfidential information relating to this investigation. We will allow the ITC access to all privileged and confidential information in our files, provided it confirms that it will not disclose such information either publicly or under an administrative protective order, without written consent of the Deputy Assistant Secretary for Import Administration.

If the final determination of the ITC is negative, the suspension agreement shall have no force or effect and the investigation shall be terminated. If the final determination of the ITC is affirmative, the agreement shall remain in force. The Department will not issue an antidumping order in the case as long as the agreement remains in force, the agreement continues to meet the requirements of sections 734 (b) and (d) of the Act, and the parties to the agreement carry out their obligations

under the agreement in accordance with its terms.

Lawrence J. Brady,

Assistant Secretary for Trade Administration.

December 17, 1982.

[FR Doc. 82-35419 Filed 12-29-82; 8:45 am]

BILLING CODE 3510-25-M

APPENDIX C

NOTICES OF COMMERCE'S AND THE COMMISSION'S SUSPENSIONS OF INVESTIGATIONS

C-2

Carbon Steel Wire Rod From Brazil; Suspension of Investigation

AGENCY: International Trade Administration, Commerce.

ACTION: Notice of suspension of investigation.

SUMMARY: The Department of Commerce has decided to suspend the countervailing duty investigation involving carbon steel wire rod from Brazil. The basis for the suspension is an agreement by the government of Brazil to offset with an export tax all benefits which we find to be subsidies on exports of the subject product to the United States.

EFFECTIVE DATE: September 27, 1982.

FOR FURTHER INFORMATION CONTACT: Paul J. McGarr, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230, telephone: (202) 377-2788.

SUPPLEMENTARY INFORMATION:

Case History

On February 8, 1982, the Department of Commerce (the Department) received a petition from Atlantic Steel Corporation, Georgetown Steel Corporation, Georgetown Texas Steel Corporation, Keystone Consolidated Incorporated, Korf Industries Incorporated, Penn-Dixie Steel Corporation and Raritan River Steel Corporation, filed on behalf of the U.S. industry producing carbon steel wire rod. The petition alleged that certain benefits which constitute subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act), are being provided, directly or indirectly, to the manufacturers, producers, or exporters in Brazil of carbon steel wire rod.

We found the petition to contain sufficient grounds upon which to initiate a countervailing duty investigation; and on March 1, 1982, we initiated a countervailing duty investigation (47 FR 9261). We stated that we expected to issue a preliminary determination by May 4, 1982. We subsequently determined that the investigation is "extraordinarily complicated," as defined in section 703(c) of the Act, and postponed our preliminary determination for 65 days until July 8, 1982 (47 FR 17319).

We presented a questionnaire concerning the allegations to the government of Brazil in Washington, D.C. on May 25, 1982, we received the response to the questionnaire. During August 2-6, 1982, we verified this information by a review of government documents and company books and records of Companhia Siderurgica Belgo-Mineira (Belgo-Mineira) and Companhia Siderurgica Da Guanabara (COSIGUA), the only known exporters in Brazil of carbon steel wire rod to the United States.

On July 8, 1982, we preliminarily determined that the government of Brazil is providing subsidies to manufacturers, producers, or exporters of carbon steel wire rod under six programs. The programs preliminarily found to confer subsidies were IPI rebates for capital investment, the IPI export credit premium, preferential working capital financing for exports, an income tax exemption for export earnings, benefits on machinery imported under the Industrial Development Council program, and accelerated depreciation for Brazilian-made capital goods. Based upon verification, we also found benefits constituting subsidies were received on export credits provided through Resolution 68. This program is countervailable because it gives export credits to importers at preferential interest rates.

Notice of the preliminary affirmative countervailing duty determination was published in the Federal Register on July 14, 1982 (47 FR 30550). We directed the U.S. Customs Service to suspend liquidation of all entries of the subject merchandise, entered or withdrawn from warehouse, for consumption on or after July 14, 1982, and to require a cash deposit or bond in the amount of 14.31 percent of the f.o.b. value of the merchandise.

On August 20, 1982, the Department initialed a proposed agreement to suspend the countervailing duty investigation involving carbon steel wire rod from Brazil. The basis for the proposed agreement to suspend was that the government of Brazil would offset by an export tax the entire amount of benefits we found to confer subsidies on exports of carbon steel wire rod to the United States.

On the same date, in compliance with the procedural requirements of section 704(e) of the Act, we called counsel for the petitioners informing them of the proposed agreement. At that time, we discussed the essential points of the proposed agreement and offered to answer any questions. These parties also received a copy of the proposed agreement on that date.

Scope of the Investigation

The product covered by this investigation is carbon steel wire rod manufactured in Brazil and exported, directly or indirectly, from Brazil to the United States. The term "carbon steel wire rod" covers a coiled, semi-finished, hot-rolled carbon steel product of approximately round solid cross section, not under 0.02 inch nor over 0.74 inch in diameter, not tempered, not treated, and not partly manufactured, and valued over 4 cents per pound, as currently provided for in item 607.17 of the *Tariff Schedules of the United States*.

The period for which we are measuring subsidization is calendar year 1981.

Changes Since the Preliminary Determination

(1) *IPI Export Credit Premium.* Our preliminary determination on this program was based on IPI credits received from July 1, 1981 to March 31, 1982, divided by the value of exports for the same period. We noted at the time our concern that the subsidy may have been understated.

At verification, this concern proved correct. The companies record IPI credits when received, which are based on shipments that may have taken place two to three months before. The export figures we used as the denominator bear little relation to the IPI credits received during the same period.

To calculate the value of the IPI credits, we sampled Belgo-Mineira's and COSIGUA's receipts of IPI credits and traced each to the appropriate shipment. We established that the only deduction made from the value of the shipment before the IPI credit is calculated is an agent fee and that not all shipments have this deduction. For each shipment, we calculated the value of the IPI credits as a percentage of the gross value of the shipment. We made this calculation as of the date of the shipment rather than the date of receipt of the IPI credits, not taking into account the devaluation of the cruzeiro in accordance with section 771(6)(B) of the Act.

Instead of the 10.63 percent *ad valorem* subsidy reported in our preliminary determination, we calculated a benefit of 14.89 percent. This rate was based on the 1981 export credit premium of 15 percent. To determine the appropriate export tax, we are prorating the IPI credit found on all carbon steel wire rod shipments by the appropriate rates in the phase-out schedule of the IPI set out below:

September 30, 1982—December 30, 1982 = 11.0 percent
December 31, 1982—February 15, 1983 = 9.0 percent
February 16, 1983—April 1, 1983 = 4.5 percent
April 2, 1983 onward = 0 percent

(2) *Export Credits Under Resolution 68.* During verification we discovered that loans at preferential rates had been contracted under this program in 1981.

Normally, we do not consider that benefits are received from loans at preferential rates until payment is due. In this case, the first of four semi-annual payments by importers on all of the loans taken out under this program was not due until after the end of the review period. Consequently, there was no benefit to exports of wire rod to the United States under this program in 1981. However, the suspension agreement obligates the government of Brazil to offset, by an export tax, all current benefits on wire rod exports to the United States. Without a value as yet for 1982 exports, we must estimate the current level of subidy. Based on 1981 exports to the United States we estimate that the benefit from the loans learned about at verification is about 0.5–0.75 percent. Any new loans since that time would, of course, increase this benefit.

(3) *Long-Term Loans.* We stated in our preliminary determination that we required additional information on long-term loans to Belgo-Mineira and COSIGUA before making a determination on the allegation that such loans confer subsidies. At verification, we examined several foreign currency loans and found that such loans are granted with interest rates of LIBOR plus a spread that approximates the average spread available on such LIBOR loans in Brazil. We further verified that loans from FINAME, a program of the National Bank for Economic Development (BNDE) for the purchase of capital equipment manufactured in Brazil, are fully indexed and are made at fixed real interest rates ranging from 7 to 11 percent, depending on the time the loan was granted

FINAME loans are available to a wide variety of sectors in Brazil. While the steel industry is one of the chief recipients, this appears to be warranted in view of the capital requirements of a large capital-intensive industry. Other large capital-intensive industries have received loans in similar proportions. In addition, numerous other sectors also received loans from FINAME during this period. We do not have a benchmark in Brazil for comparing the interest rates on these loans, because of a lack of alternate sources of such financing. However, the real interest rates of 7 to 11 percent are quite high by international standards. Based on the general availability of these loans, we have determined that they do not confer a subsidy.

Petitioners' Comments

The Department has consulted with counsel for the petitioners, and received the following comments from them objecting to the proposed suspension agreement. Our responses are shown for each comment.

Issues Related to the Suspension Agreement

Comment 1: The petitioners suggest that paragraph B.1.(h) be modified by inserting "including any annual review" after the phrase "in this proceeding."

DOC Position: The suggested addition is redundant. The phrase "in this proceeding" encompasses annual reviews and any action taken by the Department with respect to this case until the case is terminated or revoked.

Comment 2: The petitioners contend that the representative period chosen as a reference period for the section 704(d)(2) requirement—that exports not increase in the interim period between suspension and imposition of the export tax—perpetuates the recent surge of imports of Brazilian carbon steel wire rod into the United States.

DOC Position: We are required to select "the most recent representative period." Accordingly, we chose the period February 1982—the most recent 12-month period prior to the filing of the petition. The petitioners have contended that we should use a two-year period, 1980–1981, to reflect more accurately the long-term level of Brazilian wire rod exports to the United States. The suggested period has 19 months of non-shipment prior to entry into the market and the increase of imports. The period we have chosen begins with 6 months of non-shipment, and the time period—the 12-month period before the petition was filed—correlates with the reference period in the suspension agreement on carbon steel plate from Brazil. We note that the periods covered by this quantitative restraint is very short—until October 20, 1982, when the offsetting export tax will go into effect.

Comment 3: The petitioners request that paragraph C.2 be modified by adding the words "production, or export" after the word "manufacture," to comport with the language of the Act.

DOC Position: We have inserted the proposed amendment.

Comment 4: The petitioners state that for effective monitoring to be practicable, the agreement should require that payment of the export tax be reflected on export documents presented to the Customs Service. They claim that this would provide verification that the export tax has been paid on shipments subject to the agreement and that the Customs Service would have appropriate documentation of that fact.

DOC Position: Such a requirement would not enhance the monitoring of the agreement. The U.S. Customs Service is not the administering authority; export documents made available to the Customs Service are not normally available to the Department; and, if such information were lacking on export documents, the Customs Service would not have the authority under a suspension agreement to suspend liquidation, impose countervailing duties, or deny entry. Provided the government of Brazil can present upon request appropriate documentation that the export tax has been timely paid, the agreement can be effectively monitored.

Comment 5: The petitioners state that for effective monitoring the agreement should specify the minimum amount of information to be supplied pursuant to paragraph C.1, and that this information should include on a quarterly basis the monthly volume and value of exports of the subject product to the United States, the total amount of export tax collected and documentation of payment of the tax.

DOC Position: The suggested amendment is unnecessary because paragraph C.1 is not limiting. The Department may request, at any time, any information it deems necessary for effective monitoring of the agreement.

Comment 6: The petitioners state that the agreement should include a provision whereby the government of Brazil consents to access to verification reports by counsel for the petitioners under an administrative protective order, so that counsel may monitor independently the efficacy of the agreement.

DOC Position: Non-confidential versions of verification reports are normally available to the public. A determination concerning the request by counsel for release of the confidential version of a verification report under protective order will be made at the time such requests are submitted.

Comment 7: The petitioners state that the suspension agreement fails to fulfill the explicit statutory conditions of section 704(d)(1) of the Act that any suspension agreement be in the public interest.

DOC Position: By its terms, the suspension agreement will offset completely the net subsidy, and *a fortiori* eliminates any injury caused by the net subsidy, without the added expense to the U.S. taxpayers, petitioners, and respondents of completing the investigation.

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Subsidy Issues

Comment 8: The petitioners assert that in calculating the net subsidy under Resolution 674 financing, the Department used an incorrect benchmark. They state that the Banco do Brasil rate for discounting accounts receivable is not a proper benchmark because the discounting of accounts receivable is no longer the most common method of raising working capital. Further, they state that the Department must factor in compensating balances (although illegal in Brazil) to determine an effective interest rate; that the Department has not used its own standard of a national average commercial rate as a benchmark; and that in determining that benchmark the Department should use as one basis of comparison the rate for borrowing in international financial markets.

DOC Position: The Department believes from evidence available to it that there is no meaningful commercial market for short-term working capital loans in Brazil. Instead, most firms meet their needs for working capital through the sale of accounts receivable. Therefore, the Department has determined that the discounting of accounts receivable provides the most appropriate basis for comparison.

In determining a national benchmark, the Department chose the Banco do Brasil rate because prior case precedent and statements of the government of Brazil suggested that this was the appropriate standard. As the largest single banking entity in Brazil (representing 35–40% of all banking assets), the Banco do Brasil acts as a price leader from which the rates of other banks vary. Documents received at verification support our preliminary determination in several respects. First, the Banco do Brasil discount rate is 59.6 percent, as claimed; numerous banks, both state-owned and private, discount receivables at rates near (both above and below) the rate set by the Banco do Brasil. Second, as it applies to Belgo-Mineira and COSIGUA, the market for discounting accounts receivable is still quite active. During the period of review both companies discounted a significant percentage of their domestic accounts receivable with a wide variety of banks, and used this facility as the chief method of raising working capital. During verification, we found no evidence of compensating balances in company records; the amount received by the company after discounting a receivable was the value of a receivable minus the discount rate, the Tax on Financial Transaction (IOF) and a small commission. Lastly, in the memorandum to our preliminary determination we addressed the issue of comparability between cruzeiro and foreign currency sources for working capital. Our analysis has not changed since that time.

Comment 9: The petitioners state that the Department erred in its calculation of the interest equivalent of the discount rate for accounts receivable. They assert that it is normal procedure for a bank to have recourse to the seller of a receivable in the event of non-payment and thus the sale of a receivable has characteristics similar to a loan that must be repaid by the borrower. Consequently, they assert that we must determine the interest equivalent of the discount rate in the event of repayment by the seller and then compound this rate to determine a yearly effective rate for discounting accounts receivable. This procedure would yield a rate substantially higher than the 59.6 percent rate used by the Department to determine the interest subsidy of loans under Resolution 674.

DOC Position: The Department calculated the rate of 59.6 percent based on the following: (1) That the sale of an account receivable constitutes the purchase of an asset by a bank, in which the bank absorbs the risk of non-payment; (2) that once the sale is completed, the seller has no further obligation (such as repayment with interest) to the bank; and (3) that a series of sales of accounts receivable is not equivalent to rolling over a loan where interest on the original loan is compounded. As a result, the discount rate we have used is a simple rate and additive.

If the sale of an account receivable does in fact have more the character of a loan than the sale of an asset, we may have to reassess our position. We will investigate this matter further and make any necessary adjustments in the calculation of the interest differential and the net subsidy.

Comment 10: The petitioners state that FINAME loans are preferential when compared to long-term foreign currency loans granted at LIBOR-plus-spread, and thus FINAME loans confer a subsidy.

DOC Position: Long-term financing in cruzeiros is available in Brazil only through government-controlled financial institutions. We do not have a benchmark in Brazil for fixed interest rate long-term loans to compare with the interest rates on FINAME loans. However, since these loans are indexed, the interest rates are real interest rates. This allows us to construct a benchmark based on the real interest rates of the only private long-term loans commercially available in Brazil—the foreign currency loans referred to by the petitioners. The comparison of that constructed benchmark and the interest rates on these loans, as described below, suggests that they are not made at preferential rates.

Since LIBOR loans are continually readjusted at the prevailing interest rates we constructed the benchmark by calculating the average real interest component of LIBOR-plus-spread on long-term loans to Brazil for the period 1977–81 during which these FINAME loans were made. We than compared that average real interest rate-plus-spread to the rates at which the long-term FINAME loans were made. Our comparison showed that all the FINAME loans to Belgo-Mineira and COSIGUA were made at rates above the benchmark, which indicates that they were not made at preferential rates. We will monitor loans made by FINAME to Belgo-Mineira and COSIGUA in future section 751 administrative reviews in order to evaluate whether such loans were made at preferential rates.

Suspension of the Investigation

The Department has determined that the agreement will offset the subsidies completely with respect to the subject merchandise exported directly or indirectly to the United States, that the agreement can be monitored effectively, and that the agreement is in the public interest. We find, therefore, that the criteria for suspension of an investigation pursuant to section 704 of the Act have been met. The terms and conditions of the agreement, signed September 21, 1982, are set forth in Annex 1 to this notice.

Pursuant to section 704(f)(2)(A) of the Act, the suspension of liquidation of all entries, entered or withdrawn from warehouse, for consumption of carbon steel wire rod from Brazil effective July 14, 1982, as directed in our notice of "Preliminary Affirmative Countervailing Duty Determination, Carbon Steel Wire Rod from Brazil" is hereby terminated. Any cash deposits on entries of carbon steel wire rod from Brazil pursuant to that suspension of liquidation shall be refunded and any bonds shall be released.

The Department intends to conduct an administrative review within twelve months of the anniversary date of publication of this suspension as provided in section 751 of the Act.

Notwithstanding the suspension agreement, the Department will continue the investigation if we receive such a request in accordance with section

704(g) of the Act within 20 days after the date of publication of this notice.

This notice is published pursuant to section 704(f)(1)(A) of the Act.

Gary N. Horlick,

Deputy Assistant Secretary for Import Administration.

September 21, 1982.

Annex 1—Suspension Agreement—Carbon Steel Wire Rod From Brazil

Pursuant to section 704 of the Tariff Act of 1930, as amended ("the Act"), and section 355.31 of the Commerce Regulations, the United States Department of Commerce ("the Department") and the government of Brazil enter into the following suspension agreement ("the agreement") on the basis of which the Department shall suspend its countervailing duty investigation initiated on March 1, 1982 (47 FR 9281) with respect to carbon steel wire rod from Brazil. The agreement shall be in accordance with the terms and provisions set forth below.

A. Scope of the Agreement

The agreement applies to all carbon steel wire rod manufactured in Brazil and exported, directly or indirectly, from Brazil to the United States (hereinafter referred to as the "subject product"). The term "carbon steel wire rod" covers a coiled, semi-finished, hot-rolled carbon steel product of approximately round solid cross section, not under 0.02 inch nor over 0.74 inch in diameter, not tempered, not treated, and not partly manufactured, and valued over 4 cents per pound, as currently provided for in item 607.17 of the *Tariff Schedules of the United States.*

B. Basis of the Agreement

1. The government of Brazil hereby agrees to offset completely the amount of the net subsidy determined by the Department to exist with respect to the subject product. The offset shall be accomplished by an export tax applicable to the subject product exported on or after October 20, 1982. The export tax shall be utilized to offset completely any benefits found to exist with respect to the following programs:

(a) The IPI export credit premium,

(b) Resolution 674 financing,

(c) Decree Law 1547 rebates for investment,

(d) Benefits on imported machinery received under the CDI program,

(e) The income tax exemption for export earnings,

(f) Export credits provided through Resolution 68,

(g) Accelerated depreciation for Brazilian-made capital goods, and

(h) Any other program subsequently determined by the Department in this proceeding to constitute a subsidy under the Act to the subject product.

The Department shall officially notify the government of Brazil of any determination made under item (h) above.

2. The government of Brazil certifies that no new or equivalent benefits shall be granted on the subject product as a substitute for any benefits offset by the agreement.

3. The offset of these benefits does not constitute an admission by the government of Brazil that such benefits are subsidies within the meaning of the U.S. countervailing duty law.

4. The government of Brazil agrees that from the effective date of the suspension of the investigation and until the imposition of an export tax no later than October 20, 1982 that completely offsets the net subsidy determined by the Department to exist, the rate of exports of the subject product will not exceed the average monthly rate of exports to the U.S. in the period February 1981–January 1982. The Department will monitor the exports of the subject product to the United States from the effective date of the suspension of the investigation until the imposition of the export tax and will issue instructions to the Customs Service to deny entry, or withdrawal from warehouse, for consumption of the subject product exported in excess of the average monthly rate in the period February 1981–January 1982.

C. Monitoring of the Agreement

1. The government of Brazil agrees to supply to the Department such information as the Department deems necessary to demonstrate that it is in full compliance with the agreement.

2. The government of Brazil shall notify the Department if any exporters of the subject product transship the subject product through third countries or apply for or receive, directly or indirectly, the benefits of the programs described in paragraph B(1) regarding the manufacture, production or export of the subject product.

3. The government of Brazil shall certify to the Department within 15 days after the first day of each three-month period beginning on January 1, 1983 whether it continues to be in compliance with the agreement by offsetting the net subsidy referred to in paragraph B(1) and whether it has substituted any new or equivalent benefits for the benefits offset by the agreement. Failure to supply such information or certification in a timely fashion may result in the immediate resumption of the investigation or issuance of a countervailing duty order.

4. The government of Brazil shall permit such verification and data collection as is requested by the Department in order to monitor the agreement. The Department will request such information and perform such verification periodically pursuant to administrative reviews conducted under section 751 of the Act.

5. The government of Brazil shall promptly notify the Department, with appropriate documentation, of any change in the amount of benefits to the subject product, of any change in the rate of the export tax, or if it decides to alter or terminate its obligations with respect to any of the terms of the agreement.

D. Violation of the Agreement

If the Department determines that the agreement is being or has been violated or no longer meets the requirements of section 704(b) or (d) of the Act, then section 704(i) shall apply.

E. Effective Date

The effective date of the agreement is the date of publication.

Signed on this 21st day of September, 1982.

For the Government of Brazil:

Luiz Felipe P. Lampreia,

Minister-Counselor, Brazilian Embassy.

I have determined that the provisions of paragraph B completely offset the subsidies that the government of Brazil is providing with respect to carbon steel wire rod exported directly or indirectly from Brazil to the United States and that the provisions of paragraph C ensure that this agreement can be monitored effectively pursuant to section 704(d) of the Act. Furthermore, I have determined that the agreement meets the requirements of section 704(b) of the Act and suspension of the investigation is in the public interest.

Department of Commerce.

By: Gary N. Horlick,

Deputy Assistant Secretary for Import Administration.

[FR Doc. 82-26460 Filed 9-24-82; 8:45 am]
BILLING CODE 3510-25-M

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INTERNATIONAL TRADE COMMISSION

[Investigation No. 701-TA-149 (Final)]

Carbon Steel Wire Rod From Brazil; Suspension of Final Countervailing Duty Investigation

AGENCY: United States International Trade Commission.

ACTION: Suspension of final countervailing duty investigation.

EFFECTIVE DATE: September 27, 1982.

SUMMARY: On September 27, 1982, the United States Department of Commerce suspended its countervailing duty investigation involving carbon steel wire rod from Brazil (47 FR 42399). The basis for the suspension is an agreement by the Government of Brazil to offset completely the amount of net subsidy determined by Commerce to exist with respect to the subject product. Accordingly, the United States International Trade Commission hereby gives notice of the suspension of its countervailing duty investigation involving carbon steel wire rod, provided for in item 607.17 of the Tariff Schedules of United States, from Brazil (investigation No. 701-TA-149) (Final)).

FOR FURTHER INFORMATION CONTACT: Mr. Stephen Miller (202-523-0305), Office of Investigations, U.S. International Trade Commission.

This notice is published pursuant to § 207.40 of the Commission's Rules of Practice and Procedure (19 CFR 207.40).

By order of the Commission.

Issued: October 1, 1982.

Kenneth R. Mason,

Secretary.

[FR Doc. 82-27504 Filed 10-5-82; 8:45 am]

BILLING CODE 7020-02-M

DEPARTMENT OF COMMERCE

International Trade Administration

Carbon Steel Wire Rod From Venezuela; Suspension of Investigation

AGENCY: International Trade Administration, Commerce.

ACTION: Notice of suspension of investigation.

SUMMARY: The Department of Commerce has decided to suspend the antidumping investigation involving carbon steel wire rod from Venezuela. The basis for the suspension is an agreement by the only known producer and exporter in Venezuela of the subject product which is exported to the United States to cease exports of the subject product to the United States.

EFFECTIVE DATE: October 7, 1982.

FOR FURTHER INFORMATION CONTACT: Michael J. Altier, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230, telephone (202) 377-1785.

SUPPLEMENTARY INFORMATION:

Case History

On February 8, 1982, we received a petition in proper form from Atlantic Steel Corp., Georgetown Steel Corp., Georgetown Texas Steel Corp., Keystone Consolidated, Inc., Korf Industries, Inc., Penn-Dixie Steel Corp., and Raritan River Steel Co. filed on behalf of the United States industry producing carbon steel wire rod. The petitioners alleged that carbon steel wire rod from Venezuela was being sold at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (the Act).

On March 1, 1982, upon examining the petition as required under section 732 of the Act, we determined that there existed sufficient grounds upon which to initiate an antidumping investigation (47 FR 9259).

On March 25, 1982, the United States International Trade Commission (ITC) determined that there was a reasonable indication that an industry in the United States was being materially injured or was threatened with material injury by reason of imports of carbon steel wire rod from Venezuela which were alleged to be sold at less than fair value. The ITC published notice of its determination on April 1, 1982 (47 FR 13927).

On March 15, 1982, we presented a questionnaire concerning the allegations to CVG-Siderurgica del Orinoco, C.A. (Sidor), the only known producer and/or exporter from Venezuela of the subject product.

The petitioners alleged that sales of the subject product to the United States had been made during the calendar year 1981, the time originally chosen as the period of investigation. Subsequently, Sidor informed us that although several shipments of its merchandise had entered the United States during 1981, the actual sales for those entries were made in late 1980. Accordingly, the period of investigation was extended to include these sales. However, Sidor refused to include in its response to our questionnaire any of the requested sales information. Since the requested information was essential to the investigation, we therefore based our preliminary determination, in accordance with section 776(b) of the Act, on the best information otherwise available.

On July 19, 1982, we preliminarily determined that there was a reasonable basis to believe or suspect that carbon

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steel wire rod from Venezuela was being sold, or was likely to be sold at less than fair value within the meaning of the antidumping laws. Notice of the preliminary affirmative determination was published in the **Federal Register** on July 23, 1982 (47 FR 31910). We directed the United States Customs Service to suspend liquidation of all entries of the subject merchandise, entered or withdrawn from warehouse, for consumption on or after July 23, 1982, and to require a cash deposit or bond for each such entry of the merchandise in the amount of 40 percent of the f.o.b. value.

On August 31, 1982, the Department of Commerce (the Department) initialed a proposed agreement to suspend this investigation. The basis for the suspension was a proposed agreement between the Department and Sidor to cease exports of the subject product to the United States.

On the same date, in compliance with the procedural requirements of section 734(e) of the Act, we notified the petitioners of, and consulted with them regarding, the proposed agreement. At that time, we explained how the proposed agreement would be performed and enforced, how the agreement would meet the requirements of subsections 734 (b) and (d) of the Act, and offered to answer any questions. Petitioners also received copies of the proposed agreement on that date and all parties to the investigation were permitted to submit comments and information for the record. In addition, the ITC was notified of the proposed agreement.

Scope of Investigation

The product covered by this investigation is carbon steel wire rod which is a coiled, semi-finished, hot-rolled carbon steel product of approximately round solid cross section not under 0.20 inch nor over 0.74 inch in diameter, not tempered, not treated, and not partly manufactured, valued over four cents per pound, currently provided for in item 607.17 of the *Tariff Schedules of the United States*.

Suspension of the Investigation

No negative comments have been submitted with respect to the proposed suspension agreement to cease exports of the subject product to the United States. We have determined that the agreement can be monitored effectively, and that the agreement is in the public interest. We find, therefore, that the criteria for suspending an investigtion pursuant to section 734 of the Act have been met. The terms and conditions of the agreement, signed October 1, 1982, are set forth in Annex I to this notice.

Pursuant to section 734(f)(2)(A) of the Act, the suspension of liquidation of all entries, entered or withdrawn from warehouse, for consumption of carbon steel wire rod from Venezuela effective July 23, 1982, as directed in our notice of "Preliminary Determination of Sales at Less Than Fair Value" is hereby terminated. Any cash deposits on entries of carbon steel wire rod from Venezuela pursuant to that suspension of liquidation shall be refunded and any bonds posted shall be released.

The Department intends to conduct an administrative review within twelve months of the anniversary date of publication of this suspension as provided in section 751 of the Act.

Notwithstanding the suspension agreement, the Department will continue the investigation if we receive such a request in accordance with section 734(g) of the Act within 20 days after the date of publication of this notice.

This notice is published pursuant to section 734(f)(1)(A) of the Act.

Gary N. Horlick,

Deputy Assistant Secretary for Import Administration.

October 1, 1982.

Annex I—Suspension Agreement Carbon Steel Wire Rod from Venezuela

Pursuant to the provisions of sections 734 of the Tariff Act of 1930, as amended (19 U.S.C. 1673c) (the Act), and § 353.42 (19 CFR 353.42) of the Department of Commerce Regulations, the Department of Commerce (the Department) and CVG-Siderurgica del Orinoco, C.A. (Sidor), Apartado Postal 69.000—Altamira, Caracas, 106 Venezuela, enter into the following suspension agreement (the agreement) on the basis of which the Department shall suspend its antidumping investigation initiated on March 4, 1982 (47 FR 9259) with respect to carbon steel wire rod from Venezuela subject to the terms and provisions set forth below.

A. *Product Coverage.* This agreement applies to carbon steel wire rod from Venezuela which is the subject of the above referenced investigation, manufactured or exported by Sidor, and is currently provided for under item number 607.17 of the *Tariff Schedules of the United States* (hereinafter the subject product).

B. *Basis for the Agreement.* As of the effective date of this agreement, Sidor, the only known producer and exporter in Venezuela of the subject product which is exported to the United States, agrees not to make further exports of the subject product to the United States, either directly or through intermediaries, from Venezuela or through third countries.

C. *Monitoring.* Sidor will supply to the Department such information as the Department deems necessary to ensure that Sidor is in full compliance with the terms of this agreement, so as to enable the Department to monitor this agreement effectively in accordance with section 734 of the Act (19 U.S.C. 1673c) and § 353.42 (19 CFR 353.42) of the Department of Commerce Regulations. Such information, at a minimum, shall include a quarterly statement of Sidor's exports of the subject product to all countries. The statement shall include the volume of the subject product exported either directly or through intermediaries, together with any information Sidor possesses as to the ultimate destination of the merchandise, if this differs from the country to which the initial exportation is made. The statement shall be itemized by country of destination. In the absence of exports of the subject product to the United States, either directly or through intermediaries, Sidor's quarterly statement shall so indicate. Sidor agrees to submit such quarterly statements to the Department within 30 days after the beginning of the subsequent calendar quarter. Sidor will permit such data collection and verification as the Department deems necessary for monitoring this agreement. The Department may also request such information and conduct such verifications periodically pursuant to the administrative reviews conducted under section 751 of the Act. If the Department requests information in addition to the quarterly statements specified above, it will explain upon making such request the reason or reasons why it considers such information and/or verification thereof necessary to ensure full compliance with terms of this agreement. Sidor will notify the Department immediately should it alter its position with respect to any terms of this agreement.

D. *Violation of the Agreement.* The Department shall rescind this agreement and resume the investigation or issue an antidumping order, as appropriate under section 734(i) of the Act (19 U.S.C. 1673c(i)) and § 355.43 of the Department of Commerce's Regulations (19 CFR 353.43), with respect to the subject product if the Department determines pursuant to section 734(i)(1) of the Act that Sidor has not honored its obligations under this agreement. Additionally, the Department will resume this investigation or issue an antidumping duty order, as appropriate

under section 734(i) of the Act, if it determines that the agreement no longer complies with provisions of section 734 (b) and (d) of the Act (19 U.S.C. 1673c (b) and (d)).

E. *Other Provisions.* In entering into this agreement, Sidor does not admit that any sales of the subject product have been made at less than fair value.

The effective date of this suspension agreement is the date of publication of notice of suspension of investigation in the **Federal Register.**

Signed on this 1st day of October 1982.

For CVG-Siderurgica del Orinoco, C.A.

Andrew W. Sheldrick.

I have determined that the provisions of Paragraph B provide for the cessation of exports to the United States of the subject product and that the provisions of Paragraph C ensure that this agreement can be monitored effectively pursuant to section 734(d) of the Act. Furthermore, I have determined that this agreement meets the requirements of section 734(b) of the Act and is in the public interest as required under section 734(d) of the Act.

U.S. Department of Commerce.

Gary N. Horlock,

Deputy Assistant Secretary for Import Administration.

[FR Doc. 82-27472 Filed 10-6-82; 8:45 am]

BILLING CODE 3510-25-M

This notice is published pursuant to § 207.40 of the Commission's Rules of Practice and Procedure (19 CFR 207.40)

Issued: October 28, 1982.
By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 82-30255 Filed 11-2-82; 8:45 am]
BILLING CODE 7020-02-M

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731-TA-88 (Final)]

Carbon Steel Wire Rod From Venezuela

AGENCY: International Trade Commission.

ACTION: Suspension of final antidumping investigation.

EFFECTIVE DATA: October 7, 1982.

SUMMARY: On October 7, 1982, the United States Department of Commerce suspended its antidumping investigation involving carbon steel wire rod from Venezuela (47 FR 44362). The basis for the suspension is an agreement by the only known producer and exporter in Venezuela of the subject product which is exported to the United States to cease exports of the subject product to the United States. Accordingly, the United States International Trade Commission hereby gives notice of the suspension of its antidumping investigation involving carbon steel wire rod, provided for in item 607.17 of the Tariff Schedules of United States, from Venezuela (investigation No. 731-TA-88) (Final))

FOR FURTHER INFORMATION CONTACT: Mr. Stephen Miller (202-523-0305), Office of Investigations, U.S. International Trade Commission.

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APPENDIX D

NOTICES OF THE COMMISSION'S CONTINUATION
AND TERMINATION OF FINAL INVESTIGATIONS

[Investigation No. 731-TA-88 (Final)]

Carbon Steel Wire Rod From Venezuela; Continuation of Final Antidumping Investigation

AGENCY: International Trade Commission.

ACTION: Continuation of final antidumping investigation.

EFFECTIVE DATE: October 27, 1982.

SUMMARY: On October 7, 1982, the United States Department of Commerce suspended its antidumping investigation concerning carbon steel wire rod from Venezuela (47 FR 44362, October 7, 1982). The basis for the suspension was an agreement by CVG-Siderurgica del Orinoco C.A. (Sidor), the only known Venezuelan producer and exporter of carbon steel wire rod, to discontinue all exports of the subject merchandise to the United States. Accordingly, pursuant to section 734(f)(1)(B) of the Tariff Act of 1930 (19 U.S.C. 1673c(f)(1)(B)), the United States International Trade Commission suspended its antidumping investigation on carbon steel wire rod from Venezuela (47 FR 49907, November 3, 1982). On October 27, 1982, however, a request to continue the investigation was filed by counsel for Sidor pursuant to section 734(g)(1) of the Tariff Act (19 U.S.C. 1673c(g)(1)). Accordingly, the Commission hereby gives notice of the continuation of investigation No. 731-TA-88 (final), Carbon Steel Wire Rod from Venezuela. The Commission will make its determination in this investigation within 45 days of the date on which Commerce publishes its final antidumping determination.This notice is published pursuant to § 207.42 of the Commission's Rules of Practice and Procedure (19 CFR 207.42).

By order of the Commission.

Issued: November 12, 1982.

Kenneth R. Mason,

Secretary.

[FR Doc. 82-31455 Filed 11-16-82 8:45 am]

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[Investigations Nos. 701-TA-148 and 150 (Final)]

Carbon Steel Wire Rod From Belgium and France; Termination of Investigation

AGENCY: International Trade Commission.

ACTION: Termination of investigations.

EFFECTIVE DATE: November 3, 1982.

FOR FURTHER INFORMATION CONTACT: Mr. Stephen Miller (202-523-0305), Office of Investigations, U.S. International Trade Commission.

SUMMARY: On July 14, 1982, the Commission instituted final countervailing duty investigations under section 705(b) of the Tariff Act of 1930 (19 U.S.C. 1671d(b)) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of subsidized imports from Belgium and France of carbon steel wire rod provided for in item 607.17 of the Tariff Schedules of the United States.

On November 3, 1982, the Commission was notified by Atlantic Steel Co.; Continental Steel Co. (formerly Penn-Dixie Steel Corp.); Georgetown Steel Corp.; Georgetown Texas Steel Corp.; Keystone Consolidated Industries, Inc.; Korf Industries, Inc.; and Raritan River Steel Co., the petitioners in these investigations, that they wished to withdraw their petitions as to all of the above-mentioned investigations pursuant to section 704(a) of the Act (19 U.S.C. 1671c(a)). The Commission has granted these requests.

This notice is published pursuant to § 207.40 of the Commission's Rules of Practice and Procedure (19 CFR 207.40).

By Order of the Commission.

Issued: November 10, 1982.

Kenneth R. Mason,

Secretary

[FR Doc. 82-31363 Filed 11-16-82; 8:45 am]

BILLING CODE 7020-02-M

APPENDIX E

PRICING TABLES

Table E-1.--Carbon steel wire rod: Indexes of weighted-average prices of welding quality carbon steel wire rod 1/ realized by U.S. producers and by importers of wire rod from France, 2/ by quarters, January 1980-June 1982

(January-March 1980=100.0)

Period	U.S. producers		France
	Integrated	Non-integrated	
1980:			
January-March	100.0	100.0	100.0
April-June	104.7	101.2	119.8
July-September	101.3	94.5	107.3
October-December	101.6	106.4	95.2
1981:			
January-March	109.3	99.9	108.8
April-June	110.2	100.7	110.9
July-September	120.8	99.3	111.1
October-December	118.9	97.6	112.7
1982:			
January-March	117.3	102.4	124.3
April-June	117.2	96.2	116.6

1/ Welding-quality carbon steel wire rod meeting AISI specifications for C-1008.

2/ No sales were reported for this product imported from Belgium, Brazil, or Venezuela.

Source: Compiled from data submitted in response to official questionnaires of the U.S. International Trade Commission.

Table E-2.--Carbon steel wire rod: Indexes of weighted-average prices of large diameter low-carbon steel wire rod 1/ and of medium-carbon steel wire rod 2/ realized by U.S. producers, 3/ by quarters, January 1980-June 1982

(January-March 1980=100.0)

Period	Low-carbon steel		Medium-carbon steel	
	Integrated	Non-integrated	Integrated	Non-integrated
1980:				
January-March	100.0	100.0	100.0	100.0
April-June	95.5	100.8	99.1	100.9
July-September	98.7	89.6	96.5	92.3
October-December	98.4	92.1	93.1	101.4
1981:				
January-March	104.0	98.9	98.9	104.0
April-June	109.0	98.8	100.4	105.4
July-September	119.6	99.6	103.7	103.0
October-December	135.8	97.3	108.0	103.3
1982:				
January-March	4/	88.5	109.3	97.4
April-June	4/	83.8	104.8	97.0

1/ Standard quality wire rod of at least 9/16 inch diameter, AISI specification C-1008.

2/ Wire rod having carbon content meeting AISI specifications C-1025 to C-1040

3/ No sales were reported of these products imported from the countries subject to these investigations.

4/ No prices reported.

Source: Compiled from data submitted in response to official questionnaires of the U.S. International Trade Commission.

Table E-3.--Carbon steel wire rod: Indexes of weighted-average prices of high-carbon steel 1/ wire rod realized by U.S. producers and by importers of wire rod from France, 2/ by quarters, January 1980-June 1982

(January-March 1980=100.0)

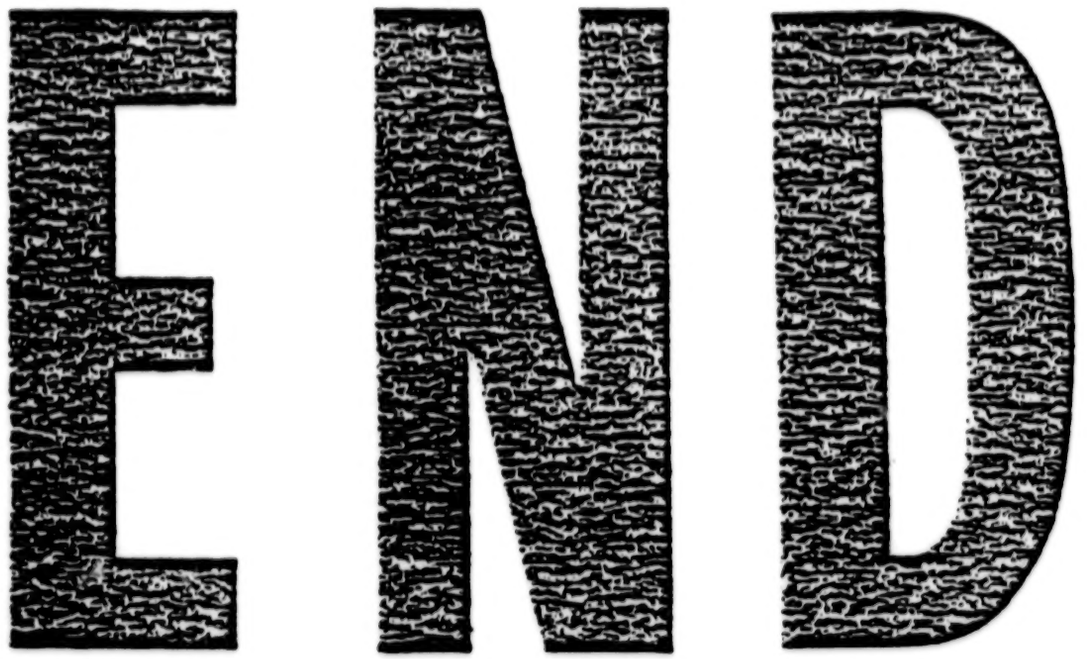
Period	U.S. producers		France
	Integrated	Non-integrated	
1980:			
January-March	100.0	100.0	100.0
April-June	99.0	101.1	86.9
July-September	98.8	96.5	3/
October-December	96.9	94.4	73.7
1981:			
January-March	105.3	99.2	97.7
April-June	103.6	100.2	99.8
July-September	111.8	100.2	92.0
October-December	114.7	99.4	68.6
1982:			
January-March	112.4	98.3	76.1
April-June	110.1	95.3	79.3

1/ High-carbon steel wire rod meeting AISI specifications C-1046 to C-1085.

2/ No sales were reported of this product imported from Belgium, Brazil, and Venezuela.

3/ No prices reported.

Source: Compiled from data submitted in response to official questionnaires of the U.S. International Trade Commission



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